

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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NARRATOR: Khodadad Farmanfarmaian

DATE: November 10, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 1r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. Dr. Farmanfarmaian, I think it would be helpful if we began these series of interviews by asking you to say a little bit about your family background -- about your father, about your childhood and places where you went to primary school and high school -- and then we can get to the beginning of your career in government in Iran.

A. I was born on May 8, 1928. My mother was Hamdam Khanom and my father was Prince Abdol-Hossein Mirza Farmanfarma. My father at the time was retired from politics because it was after the advent of Reza Shah. You must remember that he was already at an advanced age. He was, if I'm not mistaken, Minister of War back in 1896, 1910 and 1915, Minister of Justice in 1909, Prime Minister in 1916, and generally speaking he was a powerful man of substantial influence in Persian politics for a long time, let us say from around 1890 to 1920. You know in the Qajar tradition, the crown prince was sent to hold his own court in Azerbaijan -- he took my father with him and my father at that time (around 1890) served as his Prime Minister. But of course when Mozaffar ed-Din Shah returned to Tehran after the assassination of Nasser ed-Din Shah, my father was rather young still and he was appointed as Minister of War. It wasn't until later that he became Prime Minister. He was Prime Minister for a very short period of time, owing to certain difficulties, I understand, vis-à-vis the Russian occupying forces during the First World War in Iran. When I was born, Reza Shah had already ascended to the throne for three years. We lived right next door to the King and the royal family. There are stories that...

Q. What part of Tehran was this in?

A. Our house was located on Sepah Avenue, bordering Kakh on the east and Pasteur on the north. This whole property was my father's and I'm told that the land on which the Marble Palace and the Queen's Palace were built was a gift from my father to Reza Shah at the time or shortly after the latter's ascendance to the throne.

Earlier, we had a large compound which included the Kakh and Pasteur Avenue and Institute. Kakh and Pasteur Avenue were cut out of the old compound and the Pasteur Institute was built and endowed by my father at a later date. Well, all of us lived in that compound. My father at the time had seven wives. And we all lived in around an oval-shaped garden; and his mansion was separate from all of us, located on the north side at the top of the garden, dominating the whole of the garden and our individual houses.

First we were sent to a school called Tarbiyat which was right next door to us. After that school was closed down (reportedly because of its Baha'i connections), we were sent to Sharaf School located in Amiriyeh. The girls were sent to Nobavegan and Anoshiravan Dadgar. A few years later, when Reza Shah decided to take over our compound, we had to go and live in our summer residence in Shemiran. So the whole family moved up to Tajrish in Shemiran where my father had an estate located just to the south of the Tajrish Open Bus Terminal extending south to Kashef Street. This was a lovely large garden which was called Rezvanieh which included separate houses for each of his wives and her children. My father lived in one of the main houses in this compound, which was at the time also shared by one of the senior wives.

At that time we were sent to Shapour School at Bagh Ferdows, which was just a grade school. Shortly after my father died we moved to Tehran and I went to Iranshahr High School for about a year and after that to Alborz College. At Alborz College I finished the second year of high school.

On the basis of the will of my father, the guardians, who were Haj Mohtasham al-Saltaneh Esfandiari, Mohsen Sadr, and Sardar al-Ashraf, and Mr. Farzin, and my oldest brother, decided to send us abroad for further education. Since this was in 1943 and Europe was at war, a few of us were sent to Beirut, where we were enrolled at the Preparatory School (International College) of the American University of Beirut. I stayed in Beirut a full three years and in 1946 I graduated from high school or the preparatory school of the American University of Beirut.

At that time I returned to Iran and I spent only about two and a half to three months in Tehran and this was the first time I ever visited our villages between Asadabad near Hamedan and Kermanshah. This is the first time I had an impression of a village and rural life in Persia. And at that time, the landlord was the sovereign and the peasants or tenant-cultivator gave a certain share of the product to him. You might remember the distribution of the product between the tenant and the landlord: one share went for ownership, one share went for work, one share went for animal power or tractor, one for water and another for seed. Altogether there were five shares and although this practice differed in various parts of Iran, this was generally the practice that at the time prevailed in the area where we had our villages.

We had ownership of land and water and often provided seeds, but many of the tenants had their own animal power so they could have one share for that and one share for their work, so the product was distributed two-fifths for the tenants and three-fifths for landlord. There were other functions that the landlord provided as well. Now that I look back, certainly after our experience with land reform, which I hope, I have a chance to talk about. I have some reflections on the circumstances of the tenants at that time as, let's say, compared with after the land reform, which should be of some interest.

Anyway, after that the war was over and I could get a visa, I went to England. In England I went to a tutorial school to prepare myself to take my A level exams and enter London University. I had a great tutor. He was an Austrian. He taught me about Marx for the first time, at a very early age. I learned a bit about Marx. And he used to take me to Hampstead Heath and sit on the top of the hill looking down at London. He used to say, "You know, this is where Marx used to sit and

contemplate this dark, abysmal urban center and he considered it to be a wonderful place to see the working of the capitalistic society." And he used to beat it into my head that this is where Marx observed the working or the dynamics of the capitalistic society. It's true. Again later on I learned that Marx didn't know much and didn't care much about the agrarian society, the agrarian problem, rural problem -- again I hope I'll have a chance to talk about this as we go along.

In my exams I did rather well in economics and very poorly in English and mathematics. In the second year of high school in Beirut, I was probably the top student in the class in mathematics. But somehow, in the third and fourth year I fell behind in mathematics, probably because my math teacher in the latter years was nowhere near as exciting and dynamic as the second-year teacher. The second-year teacher was very exciting. English was understandable. At that time all the veterans were coming back to school, so the competition was very stiff for London University, Oxford, and other British universities for that matter. I remember when I looked at the English examination, I was really totally appalled by my lack of knowledge and lack of reach to the subject matter. I could speak English at that time. At the American University of Beirut our subjects were all taught in English. I had also studied English literature at some length and with some care because of my love for that subject; but in the examination which included interpretation, analysis of difficult passages from the writers, etc., I did miserably.

After my unsuccessful attempt at entering British universities, I began to think of leaving England for the U.S. One should also remember that London in the years following the war, 1946 and '47, was dark and dismal. You could hardly get a decent meal and we were spoiled by better standards. Everything was rationed. As it were, once in awhile my sister, who was the ambassador at that time, used to ask us over to give us a meal once a week so that at least we got some decent food in our belly occasionally. But generally speaking we lived on starch, potatoes, bread and so on, very little protein.

I had at that time several brothers and sisters in the United States. I don't know whether I said this or not, but by the way when my father died he was survived by twenty sons and twelve daughters. So when I talk about my brothers and sisters well -- I know you are aware, but perhaps for the record I should say this -- there were all together thirty-two of us when he died. They were dispersed all over the world and in America already I had some of them in my generation, you know brothers and sisters who were generally in the same age group. And I wrote to one of them who was going to Stanford, this is Hafez who is now a professor at Texas University, in Austin.

I asked him to register me at Stanford and send me the proper papers for visa and so on. But the letter reached him during summer vacation. At that time he was chasing a girl in Greeley, Colorado -- a small college, a lovely place -- where the father of the girl he was chasing was a full professor at the time and he had just gone with her to visit and stay for the summer. He received my letter there and he just proceeded to register me there at this little college which was called the Colorado School of Education. It was a teachers training college actually, with a liberal arts program -- a B.A. program. So I went there.

But on my way, I remember, I stopped -- on my way that is after I crossed the Atlantic -- I stopped in New York then I came up to Boston because I wanted to see if I can go to Harvard since I had heard a great deal about it. I went straight to a place which was called the "Littauer Center for Public Administration" and I asked who was in charge, I remember, and they told me there was a man called Edward S. Mason, who is the dean and I should go see him. Finally I was ushered into a big room where I saw a big man sitting behind a big desk looking at me from behind his glasses. I'm sure he was amused by my very presence at that time. He asked me about my background and I explained to him that I wanted to come to Harvard. He said that, "You know you are already late, this is mid-September. You should have applied earlier. However, since you have already gotten an acceptance at this little college, I think that is fortuitous and you ought to go there, because that will familiarize you with the way we do things in this country and that slowly introduces you into our culture, into our civilization, the way of doing things. Later on you can apply to Harvard and come back to Harvard." I said fine and I proceeded to catch the train from New York to travel across the U.S. to Greeley, Colorado. I must tell you an anecdote, which is a part of my bringing up in the United States, part of my experience in the U.S. which happened on that train. You must remember at that time I was relatively young - nineteen and inexperienced.

Q. What year was this?

A. This is September of 1947, I'm talking about. And a boy who hadn't seen much of the world, pampered and, I supposed, spoiled. I caught this train to go west to Colorado. The language I could speak, that was a great advantage, I suppose. Anyway, I was sitting on this train and I thought I had a great deal of money with me. I had something like a thousand British pounds, which was a considerable amount of funds for me to have at that time. Because that is what I needed to pay the tuition, to get started, and to last in the school for nearly a year. I had bought the ticket in New York, but I never thought about having enough U.S. dollars for my meals I would have to pay for from New York to Denver.

After a day on the train, I noticed that I had no more U.S. dollars to pay for my food and I became very concerned about it. I approached the gentleman sitting next to me in the club car and I struck up a conversation with him. I was very polite. I found out that he was a salesman -- he sold, if I remember correctly, laundry machines. He was going to Chicago, and we were going to arrive there on Sunday. Earlier, when I had presented my travelers checks which were in pounds in the train, nobody would accept them as payment. They said you have to go to a bank in Chicago. And we'd be arriving on a Sunday in Chicago and I knew that by the time I get to Denver I'd be starving. So I talked of this problem to the gentleman who was sitting next to me and I showed him my traveler's checks. After listening to my predicament and inspecting the checks, he just put his hand in his pocket, and gave me two twenty-dollar bills, which was a considerable amount of money in those days for a man to give to another whom he didn't know at all -- at that a very young fellow who after all had not seen much of the world and could not have been trusted to be, perhaps, a man of his word. And he said, "When you get to school, send me back this money." I was pleasantly shocked, of course, and you must know that when I arrived at the school, the first thing I did, I exchanged some money at the local bank and I mailed two \$20 bills with a long letter of thanks to this kind man to his Chicago address. You know that

taught me something about Americans -- their openness, their trust and helpfulness. I saw that type of behavior many more times later.

Anyway, I stayed in Greeley, Colorado. I did rather well. To be very honest with you, I was doing extremely well without even going to classes. I found that things were rather elementary for me in several subjects, certainly in economics that I was taking. And soon enough I was able to do other things by just studying two or three nights before the examination and I would still end up with a "C" or a "B". I made no effort, but I was discovering American life and I was so excited. On campus, everybody knew me.

Another interesting story is that when I first entered the college at Greeley, I was told that the first night was the night for students to organize themselves in terms of fraternities and sororities and independent associations. So being what I was, I chose to go to the independent student association gathering. Perhaps I just liked the word "independent," you know. It was very important to me. And I sat right in the front, I was very proud. I wasn't shy at all, I sat right in the front and there must have been, I don't exaggerate, five hundred students in that hall. And so somebody came -- a third- or fourth-year student or a young teacher maybe, I forget who he was -- and the first thing he said was, "All right, one by one introduce yourselves." So each person stood up and introduced himself or herself and soon my turn came. I was in the first row and I decided to, you know, sort of make my mark there and then. I got up and said -- and I used my middle names, which are never used really, in Persia, we don't have middle names in the sense that you find here. But I sort of wanted to leave an impact -- so I got up and said, "My name is Khodadad Abdol-Hosseini Firouz Farmanfarmaian." You must remember Abdol-Hosseini was my father's name and Firouz is my grandfather's name and I used them both. Once I said this the whole room went into an uproar and somebody in the background screamed, "Why don't we just call him Joe?" And, believe it or not, that name stuck to me for a long time.

From there on, literally more than half of the student body at the school -- there were only about 2,000 students at that college -- knew me as "Joe" which helped me to become very popular. As a result, I was able to become a member of what was otherwise a very closed type of community to which I would not have had such an easy admission. But this business of just "Joe" helped me and everybody knew me as "Joe" until the day I left that college, and all my friends continued to refer to me as "Joe" long after.

I met Joanna there, which is perhaps one of the greatest experiences of my life. This is now thirty-four years later and I'm still married to her. We have three children and four grandchildren. Oh, I dated several people before I met Joanna. But you know, I was still a stranger to them, I was a foreigner. Don't forget, Greeley was a farming community and probably most of the people did not even know where Iran was located. They must have thought of me as a "Mexican wetback." After all I was dark, dark-haired and so on. I was strange to them. Moreover, I was rather cavalier in my behavior and I sported around in big cars, a Lincoln Continental at that time, which made them more suspicious of me.

I used to take girls out and after weeks of having courted them, I'd still end up at the end of the night kissing them on the cheek, you know, and not one step further. The first girl that treated me

like a normal acceptable human male was Joanna. And I think it took four or five weeks before we got married. Before we were married, however, I left her to go to Stanford because by that time my application had been approved and I felt this college was too small for me and I wanted to go to another university with higher standards, more fame. As you know, names meant so much to us in those days. I said goodbye to Joanna and left. But I couldn't stay in Stanford, I missed her so much. I returned and we were promptly married.

Q. Is this during the academic year?

A. No, during the summer of 1949.

We were married by a judge. Nobody on her side of the family was present at the civil ceremony. The only one who was present from my side of the family was Cyrus, my younger brother, who signed my marriage certificate and the court clerk served as the second witness. After a brief honeymoon in Chicago -- which turned out to be an unhappy occasion for Joanna because of my preference to have my sister and brother present at all the festive occasions and I spent little time alone with her -- we returned to Greeley and I left her there to go to Palo Alto to make arrangements for an apartment. She stayed with her parents. And I went to Stanford where I was assigned a single room in an old army barrack which served as student housing.

At this time I was around twenty or so and the pressure of the heavy academic requirements of Stanford -- the long reading lists of the various courses -- and the fact that I had a wife who was pregnant put me under great pressure. Slowly, the whole thing began to sink in that, my God, for the first time I felt I had such responsibilities and I was facing a big change in my life. Suddenly, I'm married, a child is expected, and I'm facing all these hard studies that I have to carry out.

A few days after I arrived, I was sleeping in this miserable room in the barracks and I was awakened by a severe abdominal pain. I did not know many people and I'd met some Persians and I hardly knew their names. There were only three or four Persians at Stanford. One of them happened to be living in the same dormitory near to me, so in the small hours of the morning I stumbled towards his room and banged at his door. The poor man was sound asleep. He opened the door looking rather disturbed and asked me what I wanted. I said, "I have this great pain and I don't know what to do about it." He said, "You just come and lie down on my bed, I'm going to call the doctor." And so he went to the phone and called the doctor. The doctor came immediately, examined me and gave me a whole lot of pills to swallow. The rest of the night I slept on his bed. You know who this man was? This was Reza Moghadam who became my closest friend and remains so, and we became such close colleagues later on during our service in the government of Iran.

Well, Stanford was a very exciting place -- my first child, Tanya, was born there, I received my B.A., M.A., and I did a year of Ph.D. work in economics before I left to look for a job because no foreign exchange was forthcoming from Iran during the late Mossadegh's years. This was in

1952. My memories of Stanford revolve around individuals who were great men, great names, who will remain in my mind forever.

The nicest probably, the most sympathetic teacher to me was an old man (who taught us taxation and public finance) called Elmer Fagen. I did extremely well in his courses. He appointed me as his assistant on fiscal policy. Another great name that is known throughout the world was Edward Stone Shaw who taught monetary theory. Still another great name who was one of the most outstanding and interesting and best Marxists in those years was Paul Baran, who liked me very much and often accused me of playing around too much with girls because apparently I didn't do as much reading as he wanted me to and did not satisfy his expectations of me. He had a great sense of humor, a thick Polish accent, and was a sloppy dresser but endowed with a searching and brilliant mind. In any case, I usually did extremely well in his courses also.

Professor Tihoe Skitovsky who in micro and welfare economics, had already established a great name for himself among world economists; and at the time we were at Stanford his famous book on welfare economics was published. Professor Kenneth Arrow, who subsequently became a Nobel Prize winner, Professor Abramovitz who was in business cycles, Professor Reader who had done already great contributions in marginalism -- all made for a great department at a great university, which provided me with a rare valuable academic experience never to be forgotten. I principally owe my intellectual training and whatever knowledge of the fundamentals of economics that I have to those years at Stanford.

But Stanford had other aspects also. We couldn't get money from Iran and Joanna had to get a job with the Stanford Research Institute, which was at that time an incipient institution and had just started. She was doing very well because she received a salary which was three times the amount of money that I would receive on a monthly basis from Iran. We lived in the barracks for married students. When Joanna was working and I was going to school Tanya, our fourteen-month old daughter had to be left in a day nursery for working parents; and frankly, neither one of us particularly liked that aspect of our family life.

Anyway, when I received my masters in 1952 and had taken several courses for Ph.D., I began to think in terms of a job somewhere. I took a bus to go around the United States looking for a job. I went to the World Bank, I went to the United Nations to be interviewed by several people. And on my way back, I stopped at the University of Colorado in Boulder to visit my brother Cyrus. Cyrus was taking physics at the University of Colorado. While there I went to the Department of Economics and talked to the chairman and some of the professors and told them that I only have a few more courses to take for my Ph.D. and I need financial support, could I have a job while I finish my residency requirements there? Could I have any job, research, part-time teaching job, whatever was available. After looking at my record, they informed me that they would give me a job, as well as a scholarship to cover the cost of tuition at the university.

There I became a research and teaching assistant and taught a course at the Extension Service of the University of Colorado -- at the time this meant I would travel from Boulder to Colorado Springs twice a week to teach the Air Force Academy cadets. You Know the Air Force Academy

now is in Colorado Springs, with its well-known campus and buildings designed by the late Frank Lloyd Wright.

I completed my Ph.D. requirements, and I did extremely well. I produced some good pieces of research, especially on a problem of much interest now, but at that time it didn't seem too highly significant. But the professor who was doing it really had a great vision, Professor Morris Garnsey, who was among the early crop of regional and resources economists trained at Harvard. He was doing work on oil shale at that time and he believed the future of the mountain states was to a great extent connected with the oil shale. He had based this on the simple assumption that the U.S. was fast running out of its own oil resources and the U.S. would have to turn to other fuel possibilities and one of these was oil shale. So I did produce a set of preliminary papers on that for the twelve mountain states which was published as a part of his work at a later date.

When I completed my course work and Ph.D. exams successfully, once again, I started looking for a job and I asked Prof. Garnsey to help me. At that time, one of his friends, who was the chairman of the Department of Economics at Brown University, had indicated to him that Brown was looking for a young instructor in economics, and Prof. Garnsey recommended me for the job. I went for an interview with the chairman, to someplace in North Dakota. The interview was very informal and took place during a baseball game and I was promptly hired. To this day I do not know whether it was my knowledge of economics or baseball that did it. So in the fall of 1953, I went to Brown University as instructor in economics. I stayed at Brown for two years and in summers I used to go back to the University of Colorado as visiting lecturer. I taught intermediate economics, principles of economics, and international trade. And I loved it.

Then I learned about the Harvard Center for Middle Eastern Studies just being opened up at that time. So I wrote to Harvard and said that I want to become a university fellow at the center. I interviewed them. Professor Sir Hamilton Gibb had not yet arrived, but Dick Frye was there. At the time the Harvard Faculty Committee in charge of the center was composed of Prof. Edward Mason, William Langer, Milton Katz and in my case, Prof. Vassily Leontiev, a Nobel Prize winner, also attended. But of course Gibb was later added to it. Anyway the center was operated under the general direction of the Dean of the School of Government, which included economics, politics, and government administration. At the time, Prof. Edward Mason was the dean.

Harvard appointed me as a University Fellow contingent on the completion of my Ph.D. thesis. I hadn't written my Ph.D. dissertation yet. I had fooled around for two years and hadn't finished it. I had finished my course work and final Ph.D. examinations in '53. I just had spent my time reading without direction and focus. I knew I wanted to do something on oil and the question of interdependence of the oil industry with the rest of the Iranian economy, which was always of some interest to me. Belatedly, I had discovered that Leontiev had designed an input-output matrix or system which could be used for my purpose and was deeply enamored of it. I wanted to see if I can use that as a basis to measure or at least talk about the interrelationship of the oil industry to the rest of the Iranian economy. And that brought me close to Professor Leontiev at Harvard.

Unfortunately, my mathematical training had ended in high school and I had to have help. I remember there was a young econometrician here at the time by the name of Dick Caves, who became subsequently a professor at Berkeley and I think he is now back at Harvard as a professor. He was very good in mathematics. He helped me a great deal and checked the consistency of my mathematical designs, but we didn't have enough information and statistics from Iran to build up the matrix of inter-industry coefficients for the use of Leontiev's system.

Anyway, in that summer of '55 I came to Harvard and was given a room at No.16 Dunster Street, where the Center for Middle Eastern Studies was located and set out to finish my dissertation. The man who witnessed all of this, more than anyone else, was Firouz Kazemzadeh who was there also on the same basis as myself but in history as a fellow at the center. There was this room they had given us, there was a big table. Firouz used to sit on one side of it and I used to sit on the other side, writing away and asking Firouz about the spelling of words, structure of sentences, and points of fact.

You will never believe that I did my dissertation in six weeks, that is, the whole first draft of my dissertation. And of course you will believe, perhaps for good reason, that I haven't read it since the final draft was approved. It was on the subject of the interrelationship between the oil industry and the Iranian economy. My contention was very simple, that the distribution of gains between the investor, which was the foreign investor, or Great Britain and the host country, which was Iran, was inequitable and heavily favored the foreign investor. That in itself was not very difficult to sustain. But my contention went further, that the oil industry partly by its nature and partly because of the deliberate policy of the investor was an insulated industry, and consequently didn't have much of a forward and backward linkage, or secondary and tertiary effects on the rest of the Iranian economy. Thus the benefits of the external economies, pecuniary or non-pecuniary, from the oil industry to the rest of the Iranian economy were grossly overstated. I contended that in fact the oil industry was little more than an outpost of the British economy. All of this I could sustain. Where I failed was to quantify some of these relationships to be used in the Leontiev input-output model.

Anyway at Harvard we had a great time and after my Ph.D. dissertation was accepted and a degree granted, I wrote and asked Prof. Leontiev to arrange a grant for me to go to Iran to look into the subject of my dissertation deeper to see if I can develop a simple matrix with ten or eleven sectors for Iran. You know, agriculture, industry -- perhaps industry divided into two or three sub-sectors, including oil industry -- services sector, international sector -- imports and exports -- and so on. He did arrange for a grant and I went to Iran. I took Joanna along. That was my first visit after nearly eleven years, in 1956.

I went around Iran, talked at length to oil people, tried to collect the data from the Ministry of Industries and Mines. They really didn't have anything. The oil industry had a lot but they wouldn't give it to me and this is true. They only gave cocktail parties for me. Later on, in fact, I faced this once again when I was a high-ranking officer in the government of Iran. I still couldn't get the data that I wanted from them to build up a simple inter-sectoral matrix for Iran, to show quantitatively the relationship between the oil industry and the rest of the Iranian economy.

I returned to Harvard. So the two academic years, '55-'57, I stayed there. I wrote an article which was published in the Journal of Explorations in Entrepreneurial History, which was at the time edited by Carl Kaysen who had taken over from Professor Cole, a great name at Harvard, an economic historian. The article was titled "Social Change and Economic Behavior in Iran," which was small but interesting, based on observations of that recent trip to Iran.

Next year I was approached by Prof. Cuyler Young, the Chairman of Near Eastern Studies at Princeton, who offered me a joint appointment with the Department of Economics as a lecturer, and a considerably higher salary than what I was receiving at Harvard. I was told that during the first two years I'd be called lecturer, but after that I could expect to be appointed as tenured associate professor and, I suppose, later on a professor. After interviews and written confirmation, I accepted the offer, left Harvard and started at Princeton the fall of 1957.

It was a place I enjoyed very much indeed but when I was in Iran in the summer of 1957, I had already met a man about whom I had heard much already. He had talked to me about the possibilities of going back to Iran to head a very important office in the Plan Organization of Iran. The man was Abdol-Hassan Ebtehaj who became one of the central figures in my life after I first met him. Of course I told him of my problem of having just entered Princeton, and being under contract with Princeton and that I felt I did not want to break that contract unilaterally. It was better if the university approached me and talked to me about it, I would not directly ask the university to release me. He said, "Don't worry about those aspects, I'll fix everything." And secondly, of course, I raised the question of conditions of work with him, which I'll tell you when I come to it.

Anyway I returned to Princeton and I loved it. I remember that by that time we had a second daughter and we lived again in old army barracks, but still maintained rather well by the Princeton administration for faculty housing. They gave us a lovely unit, extremely cheap and the salary they were paying me more than amply covered my cost of living. I was quite happy. I taught at Princeton one course in principles of economics, one course in international trade and one seminar on Middle Eastern economic problems. My students were a very good bunch and I really enjoyed them very much. I discovered that I myself was learning a great deal while I was teaching those courses. Didn't have much of a chance to do much research in terms of publication because the teaching load that first semester in Princeton claimed all my time.

Later when I arrived in Iran it was March of 1958. Now of course what went in between is an extremely interesting story, which is the beginning of the story of my connection with the Iranian government. One day a man called Robert Goheen who, when I first went to Princeton was still associate professor of classics but shortly after became the president of the university at a very young age -- and the announcement had made great news because he was so young and he was only an associate professor of classics when he became the president of Princeton. I'd seen him once or twice during faculty coffee gatherings. Anyway, he was already the president of Princeton when he called me. He told me, "Look, it's up to you. I don't mind it, if you want to go back to Iran. But, basically, it's up to you to decide if you do want to give up this career and go to Iran." He also added that, "I should be more than happy to keep the job open for at least a year after you go so in case you want to go on a trial basis and you want to return to Princeton, your

job will be kept open for around a year." I thought this was really a very decent and kind attitude. So I let it be known to Ebtehaj that I would gladly return to Iran and serve in the Plan Organization as what I was then called, the acting chief of the Economic Bureau of the Plan Organization.

Now the beginning of Economic Bureau is a separate story.

Q. You can start with how you met Mr. Ebtehaj.

A. Well, the first time I met Mr. Ebtehaj was in Tehran when I was doing research for Harvard in 1956 and then later in the summer of 1957.

Q. How were you introduced? What were the circumstances of the meeting?

A. Before the summer of 1957, Mr. Ebtehaj was already in Washington and had somehow asked someone to contact me or he called me himself, I forget now. He wanted to see me. I went to the Hay Adams Hotel in Washington and I had a meeting with him there. Later there was a gathering of Iranian students to listen to him talk about the second development plan in New York that I presided over and I introduced Mr. Ebtehaj to the student body there. And this was our sort of contact together. Following that I went to Tehran in '57 to meet Mr. Ebtehaj and talk about his offer and of a new job for me.

Q. In his office?

A. We met once or twice in his office, once at a private dinner -- just he and I with his wife -- and another time at a party which he was giving for Ken Iverson, who was at the time representative of the Ford Foundation in the Middle East and Iran. During these times he introduced me to several people as the person he had in mind to start the Economic Bureau. I had not yet accepted and he had not yet formally offered the job to me at that time, because I didn't know the conditions. Then he mentioned that he would give me a home, he would give me a car, he would give me a substantial salary. But he also indicated this problem of salary differential which was a big problem. After all, this was a government agency and if he arranged even to pay me a much higher salary than the usual head of an existing department or chief of a bureau, he would have had a great deal of difficulty. A problem which was subsequently solved, not without inconsiderable unhappy consequences, about which of course I've written quite a bit and it was an important question to the administration of Plan Organization.

Well, later on when I was in Princeton, I simply received Pres. Goheen's telephone call. By the way, Mr. Ebtehaj had been through the White House with a man called Richfield, who was at that time an assistant to Pres. Eisenhower, who knew Mr. Ebtehaj well. And it was Richfield, or someone anyway from the White House that had called Bob Goheen and told him the story, and on that basis Goheen had called me and told me that it was perfectly all right with the university if I wanted to go, that they would keep my job open for me. In between I received a cable from Mr. Ebtehaj saying, what do I think of Pittsburgh University providing an advisory group for economic planning to the Plan Organization of Iran? To which I had a normal reaction, I guess, I

said: Without trying to underestimate Pittsburgh University -- which was a very good institution, although I don't believe at the same level as Harvard or Princeton, that it's probably more advisable to approach institutions such as Princeton and Harvard -- for the very good reason that I was familiar with these institutions. I was familiar with the faculty of these institutions. I didn't know anyone at Pittsburgh, to know really if they had the capability of providing the type of top-level advisory people that Iran needed or the Plan Organization required.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

DIRECTOR: Habib Ladjevardi

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NARRATOR: Khodadad Farmanfarmaian

DATE: November 11, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 2r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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A. My recommendation was that either one of those two universities, Princeton or Harvard, should be contacted. I informed Mr. Ebtehaj that I can talk to people in these two institutions. I said I think at Harvard we should approach Prof. Edward Mason, who is the dean of Littauer, and had already begun and was directing a similar program using Harvard advisors in Pakistan. Mr. Ebtehaj said all right, proceed first with Princeton and I did so. Lester Chandler, a very well known economist, was then chairman of the Department of Economics and Prof. Jacob Weiner, again another great name in international trade, and Prof. Kuznetz were all at Princeton. There was a faculty meeting on this and I attended that meeting. They, generally speaking, were of the mind that Princeton Department of Economics was too small to be able to handle such a job of providing back stopping and an advisory group to Iran.

In fact, they recommended to me that we should turn to Harvard. I immediately reported this to Mr. Ebtehaj and I said that I think we should directly approach Prof. Edward Mason there and he accepted my recommendation immediately. That was the start of my feeling great respect for this man. I'll come to this of course at length in a later moment during these interviews. I'd like to take a separate chapter to describe Mr. Ebtehaj and his role in our country. But let me come to that later.

Anyway, Ebtehaj approached and told the Ford Foundation and the World Bank, who was also involved in this matter, that he wants to have an advisory group of this sort provided by Harvard. And in the meeting that Ebtehaj had with Professor Mason, at which I was not present, apparently the two had liked each other and had come to agreement. Seemingly the conditions that were put was that the people that Harvard will send will be advisors to Mr. Ebtehaj; however, Ed Mason wanted to have freedom of choosing the head of this advisory group. Of course he would submit the various individuals for the approval of Mr. Ebtehaj, but he wanted to have his freedom of choice. It should be noted that the idea of Economic Bureau had been first suggested by some of the people at the International (or World) Bank in discussions between International Bank and Mr. Ebtehaj.

Q. Who was that?

A. That's the World Bank or the International Bank for Reconstruction and Development [IBRD]. You see, the World Bank had already helped to provide the Plan Organization with what was called the Technical Bureau. Now the question raised by the various missions of the World Bank which had come to Iran, whether the Plan Organization also needed an Economic Bureau or an Economic Advisory Group also. Mr. Ebtehaj had asked Mr. Eugene Black, the then President of World Bank, to send someone to Iran to study the question. And they had sent Mr. John Adler, who was at the time a ranking officer of the World Bank, also a well-known economist in the field of economic development with direct experience in the field. I knew him. I knew him before all of this, that is I knew of his published works and I liked him. John Adler had gone to Iran, studied the problem, had written a report for the Ford Foundation and for the World Bank.

One point which was highly controversial in Adler's report was that he had recommended that the head of the Economic Bureau should be a foreigner. After a few years he believed that the job could be transferred to an Iranian who would have already been trained by these foreign advisors. John Adler did not know any one of the Iranians who were at the time studying or teaching in various universities in the United States, who may have been competent enough to serve as the head of the Economic Bureau. People like Reza Moghadam, for example. People like Cyrus Samii who, although not an economist was in finance and administration. That report was turned over to the Ford Foundation, the World Bank and Mr. Ebtehaj as well as later on to Ed Mason, of course.

The contents of Adler's report was raised with me in Tehran when I first met Mr. Ebtehaj and I did not hesitate in questioning the wisdom of this approach. I must say, that I felt from the very beginning that Ebtehaj's sympathy was on my side rather than on John Adler's side in this connection. Although this was his listening period, and he had not made any decision on the matter when he consulted me. On the basis of that, and here is an interesting phenomena and shows some of the wisdom of Mr. Ebtehaj, he ultimately rejected Adler's proposal.

Another economist of the World Bank was sent to Iran as a potential head of the Economic Bureau, his name was John Dewilde. John Dewilde was a good man, I knew him also. He had come and talked to me in Princeton and then subsequently went to Iran. Presumably from the first minute he met Ebtehaj there was so much friction between the two men, that on his way back to Washington from Beirut he wrote me a letter and said, "I cannot stand this strain." This is very interesting. He said, "I can never accept a job like that." I don't know if it's too much of speculation to say that all of this was because Ebtehaj, in his heart, could not accept a foreigner to head his economic advisory group. Having known him, I know he is outspoken, but at times I know he can control his emotions also. He could have accepted the man. The man was academically first class, he had the experience required, he was a good man. John Dewilde couldn't take the strain, perhaps because Ebtehaj did not want him, while he did not wish to reject the World Bank proposal in a cavalier fashion.

So the name of a third man was submitted to Mr. Ebtehaj by Mr. Mason. This time a man called Kenneth Hansen. Mr. Ebtehaj, and this is what I should enter into the record of the man who was often accused of not consulting, sends me a cable in which he says, "I can't accept Mr. Hansen without an interview so I'm appointing you to interview him and let me know your view." Just

like that. Mind you, at this time I had not yet accepted any post with the Plan Organization. But he was putting his hooks into me on the one side. On the other side he was playing his game absolutely right and proper. So Mr. Hansen comes down... Oh, Mr. Ebtehaj sends him this cable, I remember distinctly, I have written this out, it's all in written form. I wrote it twenty years ago, as I told you. Mr. Ebtehaj says in this cable, "I cannot accept him also. It's very difficult for me to accept him because he doesn't have high academic degrees." You see, Mr. Hansen did not have a Ph.D. in economics. He had a B.A. in economics from Berkeley. And that was it, and the rest was experience, direct administrative experience with the State Department during the war, and afterwards in the private sector. So, he had a great deal of experience but not high academic degrees.

But Ed Mason, being what he is, after all, he was both an economist on the academic side as well as on the practical side as advisor to U.S. presidents and director of advisory groups in several developing countries. My God, he had trained more people, he was advisor to more presidents of the United States, you know he, he just wouldn't take any old B.A. and send him to Persia. Especially after he had met Ebtehaj and he knew what kind of a mind Ebtehaj has and his expectations of the Harvard advisory group.

Then I was asked to interview Mr. Hansen. I hadn't seen, I hadn't known, I hadn't heard of him. He had not published one article that I could have read, you know. I didn't know the man. He came to Princeton and we had the whole day together. I found him to be extremely intelligent. I've written a profile on him also. I noticed that he had picked up economic terminologies. I sensed that he didn't know much economics, as such; but I sensed that he had been with economists a great deal, that he had administered, in fact, economists, that he had gone through very difficult experiences in places like Austria, Korea and China, and South America. I don't mean the war period of Vietnam, I mean long before that. Anyway, the man was of worldly experience and I found him to be young -- though older than I was but still young in spirit, because you know, after all, I had to work, be able to work with a man around the same age who understood my emotions and so on. I wrote him a very good recommendation to Mr. Ebtehaj and I said, "I think his experience far outweighs his lack of academic degrees." That is the cable I sent to Mr. Ebtehaj. Ebtehaj cabled Mason, "Accepted." Accepted Ken Hansen to become the head of Harvard Advisory Group.

But you know, as I think back, this whole issue of who should be the head of the Economic Bureau was never really settled in black and white. I was brought in and Mr. Ebtehaj told me, he said, "Look, I have no choice. I've got to try you out as an Acting Head of Economic Bureau" and I had no problem with that. By the way, before I would go back to Iran, Mr. Ebtehaj asked me, "Who do you want as your deputy?" I said Dr. Reza Moghadam if he would accept. Dr. Moghadam had accepted. He was already establishing the Economic Bureau in my absence in Iran. It was three months before I arrived. Mr. Hansen had arrived in Iran, I guess, a month or so before I returned after the fall semester of 1957-58 was finished at Princeton. And that was the way the Economic Bureau of the Plan Organization was born.

The Ford Foundation gave us a grant to finance the cost of foreign advisors, to train Iranians and a small amount of money to be used as subsidy to augment the salaries of Iranians who could not or would not work for the salaries that were prevalent in the Plan Organization.

Q. What were the salaries there?

A. My salary at that time, which was the highest salary I suppose after Ebtehaj, was four thousand tomans a month. Maximum salary at my rank in the Plan Organization was twenty-five hundred. I received fifteen hundred of subsidy each month from the Ford Foundation grant. Moghadam was getting three thousand eight hundred tomans, just two hundred below me with a subsidy from the Ford grant.

Q. Who were you people? Who were these people who were working?

A. Well, then I proceeded in my job of selecting individuals to join the Economic Bureau of the Plan Organization. I had a whole list of applicants, they were young, bright people that we interviewed, especially Dr. Moghadam and I and Ken Hansen. We interviewed these people one by one who were to become senior economists, or senior members of the bureau very carefully. There was Mehdi Amin-Salehi, Dr. Bahman Abadian who is now a top expert in the World Bank. Dr. Hossein Mahdavi, Dr. Mostafa Elm, Dr. Farhad Ghahraman, Dr. Taghi Mortazavi. I have the list of all these people someplace. Rasoul Bakhtiar, who joined a little later, Dr. Abbas Ghezelbash, Mr. Daryoush Oskoui, Dr. Shahpour Rasekh, Dr. Pour Abbas, Mr. Jamshid Ashrafi, Emad Ajami, and others.

At the end of the first year there were only seven of us. You know, this was the most amazing thing. And then we began to hire at the lower level, of course, not just people who were to be senior members. If I'm not mistaken -- I was wrong at the beginning -- I think by about eight months we had seven; by the end of the year, we had fourteen people. It was very difficult to find Iranians who were trained economists and we were looking for economists. We weren't looking for people in the softer sciences. And in recent years, when some people accuse me of being prejudiced in favor of Anglo-Saxon educated people, I've reasoned that from the curriculum or from the knowledge I had about, let's say, German training or French training, these people were not the hard type of economists and planners that one wanted. They were in the general areas of economic history, sociology, or what I referred to, at least in those days, as institutional economics. We wanted more people who had grounding in hard theory. These were my prejudices at the time and I was airing these prejudices. I was using them, in fact, in my selection of individuals. I was looking for hard, well-trained economists. You know, I have recorded all of this and I say that I remember from these records I rejected more American-educated -- this is when they accuse me of having had prejudice in favor of the American-trained -- I rejected far more of the so-called American-educated economists than I ever rejected European-trained individuals.

So the prejudice wasn't so much with regard to where they were trained as with the curriculum, as with the transcript of courses and their grades, also their analytical abilities. I was looking for training in price theory, in employment theory, international trade, mathematics, and econometrics, you know. This is what I was looking for in their background because I wanted them first to have a good grounding in theory before they could become experts in development. I was looking for statisticians, good statisticians. Not one statistician that I remember among all the European-trained at that time applied for a job. These people were the best ones we could find in those days, there's no doubt. Jamshid Ashrafi didn't have his PhD, but we hired him on

condition of getting his Ph.D. and subsequently we sent him with a grant to get his Ph.D. I'm not sure whether he ever did. He had a very sharp mind, but maybe he was too undisciplined to sit down and finish his thesis -- you know, one of those people who finish their course work and then forever walk around talking about their dissertation and so on.

But what was important was we were all being trained in the Economic Bureau in a very disciplined and systematic way. It was a combination of going to school and working at the same time -- coming at eight in the morning and leaving very often at ten at night. The sheer force of deadlines that we faced. It all came from Ebtehaj, don't forget this, that demanding man, that hard taskmaster who within six months had loaded us with so many requests for advice, instructions for survey evaluations, project appraisals and studies which required three times the number of people on the staff of the Economic Bureau.

Q. Can you think of some of those topics?

A. Oh yes, I've got all the specific topics. The first he threw at us, the whole question of the feasibility of a steel mill. He had already talked to the Germans and had signed a protocol with the German Minister of Economy, Dr. Erhardt. The focal point of the protocol was that the Germans would invest twenty percent and the Iranians eighty percent. And the Germans had accepted. So now that we had arrived on the scene, the German pre-feasibility study had already been prepared and sent to him. Ebtehaj wanted us to look into this. And all he said to me, I remember, was, "I don't want you to go into every detail of it, just look at the financial figures and so on." I assigned Hossein Mahdavi who was at the time in the industry section under Dr. Moghadam and Jim Baldwin who was the foreign advisor. Mr. Hansen, the head of the foreign advisory group and I were also (of course) in it, but we let the thing sort of develop from underneath. And some excellent studies came out.

Hossein Mahdavi was first-class. I'll say that to the end of my days about him, although he got so mixed up in his politics at a later stage and left what would have been perhaps a brilliant career. Iran lost him for all these twenty-five years and that is what I lament -- not his politics so much as the fact that Iran lost him. He would have been a refreshing influence if he had remained in Iran. Just like Moghadam was, always. Anyway, he produced a first-class study.

And as a matter of strategy, we simply pointed out one thing and underlined it hard -- the question of the German investment. In the presence of all of Mr. Ebtehaj's advisors, including Technical Bureau members who had gone to Germany and already had negotiated the technical aspects of the development of the steel mill which, if I am not mistaken, was estimated to cost us three hundred million dollars. An immense undertaking for those days. I waited very quietly, I was making the presentation. Everybody, with the exception of the Economic Bureau members, were applauding the agreement reached on each point of the checklist for Mr. Ebtehaj, until they came to the point of the German investment of twenty percent in the steel mill. The Technical Bureau negotiating team reported that the Germans had agreed with the investment of twenty percent.

Then my hand went up for the first time and I said, "Sir, this is not true." Suddenly Ebtehaj turned to me and said, "What do you mean it is not true?" I said, "They are not investing a penny.

All that they're proposing under that clause is to provide you with a very short-term supply credit until such time that the factory had reached eighty percent capacity and had operated for three months after that." I said, "Even the bugs, as your technical people will tell you, in such an industry could not be worked out within three months. Even on that score it's too little. So all it is a supplier credit or a guaranteed performance credit for a short time, it is not an investment, because an investment (as you had stated in your protocol with Dr. Erhardt), involves the taking of a risk, so that by investing their own funds, the Germans are assuring you that their feasibility study and their cost-benefit calculations make sense and the plant and equipment they are selling you are the best available, and thus they are able to retrieve their money from the revenues of the steel mill in ten years or so."

Then he banged the table and he reread the clause and he said, "It is true, this is not what I wanted." That was the death of the proposal submitted to him by the Germans. Subsequently, Ebtehaj wrote a letter to Erhardt questioning the Germans' intent. And the Germans couldn't come back with a counter offer. What was more, as soon as we saw the opening, we produced other studies that we had made in this short time questioning the proposed location of the steel mill. Shamsabad was the proposed location of the steel project. Shamsabad was supposed to have sufficient iron ore, but its quality and quantity was absolutely uncertain. The coal was supposed to come from the Alborz Mountains from Ghajereh and Eligha mines by train down to Shamsabad, which is in Arak, to the proposed location. The location of the steel mill was very poor, transportation cost was not at a minimal cost, distribution cost was not at minimum -- Tehran, after all, was the main market. But always in determining the location of a steel mill, we knew one should minimize one's raw material transportation cost. Distribution cost of the final product was less of a problem. So we said to Mr. Ebtehaj, "Look, we have now evidence from another study you have commissioned yourself to the Ital Consult and there is clearly evidence of iron ore and better quality coal available in the area of Kerman."

This was the beginning of Kerman, the study of Kerman on coal and iron. Of course, Kerman had one problem, a shortage of water. For steel you need a great deal of water; subsequently Ebtehaj asked Kaiser Industries to come in. Mr. Edgar Kaiser, Jr. came to Iran with a team of experts and we negotiated a new protocol with him and his group. The water problem could have been solved by recirculating system and the water could be pumped from deep wells, and underground sources of water were sufficient for the steel mill. In a way, the Esfahan mill was founded and built on that very perception.

Another project Ebtehaj threw right at us was the famous Dez Dam. The World Bank had already rejected the loan request for the Dez Dam. But Ebtehaj would not give up. He said, "You study it and tell me if on a cost and benefit basis this makes sense." This time we took a fairly long time to study this project. And on all grounds, water for irrigation, water for power generation, and flood control, which were the three important functions of the dam, was carefully studied and the cost-benefit of all of them calculated. We came out with a study recommending the building of the Dez Dam. We then went to the World Bank and successfully defended the Dez Dam project and we received forty-two million dollars. This was after Ebtehaj had already resigned. But again this study was commissioned by him at the beginning.

Paper mill. Paper mill -- one of those phony proposals that had been suggested -- was thrown at us to study. But worse than that, forty-eight million dollars was to be urgently negotiated with the U.S. Development Loans Fund [DLF] for a series of small projects in the early days of the Economic Bureau. I remember we didn't even have a secretary to type the documents. Dr. Abadian, who was in charge of the preparation of the application also typed it.

We wanted to have enough projects to give DLF a choice of selection, of course we had to. But each one project required certain information and we had to list all this information separately. No one had this information in Persia. We had to find this information, to categorize it and to put it together. And ultimately made a thick book to present to the DLF, in the negotiations. Dr. Moghadam was appointed as head of the mission. He was in Washington for two to three weeks negotiating this loan, trying to get that money and finally successfully concluded the agreement. In those days the money was much needed.

Negotiations with the World Bank. For a road program, 72 million dollars and the Dez Dam, 42 million dollars. I headed the missions. Other negotiations with both the DLF and the government of the United States for project and budget support as well as for U.S. aid and Public Law 480 were further activities of the Economic Bureau. This was a tremendous amount of work that was thrown at us. Don't forget, the Plan was short of funds when we arrived. We made estimates of the requirements and we had to mobilize the funds..

Q. Was this the Second Plan?

A. This was the second development plan I'm talking about. We arrived at the mid-passage, but this second plan was seven years, and nearly four years had already gone when we arrived on the scene. So what we were doing, our first task in addition to all the immediate requests by the managing director -- which was one of the functions of Economic Bureau -- we had to make an assessment of the progress of the second development plan, its problems and difficulties as well. Also to get the information we needed to prepare ourselves for the design of the third development plan, which was an oncoming, most-important function that we had. Which of course we did. First, we completed a review of the second development plan -- which is published, which I have -- and on that basis prepared the third development plan which started in 1346 or 1962.

The job, in the meantime, of getting ourselves familiarized with Iran, was also given top priority and we regularly sent members of the Economic Bureau to visit the regions and become familiar with the countryside. Not only that, but with some of the planning administrations among our neighboring countries, such as Pakistan, such as India particularly, Turkey, we arranged to send members of the Economic Bureau as well as the foreign advisors to familiarize themselves with the experiences of these countries. However, the program of visiting various regions, towns, and also the various industries, agricultural projects, agricultural programs, river-basin developments in Iran were far more extensive. On these trips the members tried to collect all the information they could, to make an assessment of the progress of the second development plan, and where we ought to be going with regard to the third development plan.

Well, this was all done, it's a matter of record, these studies are all available. The philosophy of the times, of which we were all deeply enamored was economic growth. It wasn't that we were unaware of the necessity of improving, as soon as possible, the living standards of the masses, the problem of disguised unemployment and inequitable income distribution. In fact, when you read the document of the third plan, it's very clear that we talk about these as the ultimate goal of development. But we do, however, state that unless there is growth, there cannot be much to distribute. So questions of income distribution, of equity and unemployment, did not play a very prominent role in our thinking. Growth played a very pivotal role in our thinking. Perhaps we should have paid more attention from the beginning to the whole question of income distribution and unemployment. We did to some extent, that is in terms of land reform, for example.

Economic Bureau was the stronghold of the proposal for land reform. Many times people admonished us for talking too much about that subject, for pushing that subject too hard. But we said in so many words, you can't develop the country without land reform. It's published, it's there. Also, we talked about decentralization of the government apparatus -- regionalization, localization of decision-making. We talked about social welfare programs, such as provision of potable water, sewage and electricity. The second plan had already embarked on a major program for providing sewage system, water system, electricity to something like a hundred seventy to two hundred little towns and small cities. And that was a successful program, indeed. Especially in the provision of potable water. We sustained and supported such programs as anti-malaria campaign, which was again one of the most successful programs, which had started before us, remember it had started at the time of Mossadegh during the First Plan. But still, we had areas to stamp out and it had continued under the second seven-year plan, very successfully.

But, whenever we had a shortage of funds, I remember distinctly, it was very difficult to cut out from the hard, major projects. We could only cut the soft programs or, as we called it, "the soft belly of the plan." Instead of two hundred cities, we would say, "All right, let's do one hundred fifty for the time being. Let's not hurt the infrastructure projects." The main burden of cutbacks often fell on agriculture and irrigation programs.

One of the most famous programs of Ebtehaj was fertilizer distribution, which was quite successful. This program had already started, before we even arrived in Iran. It was expanding very successfully and ultimately became very important and widespread in Iran. A program of distribution of pesticides among small farmers was very successful and a major factor in raising agricultural productivity. But all of these as a percentage in comparison to large allocations for major projects, such as the Dez Dam and the whole Khuzestan development complex, the Sefid Roud Dam, the Karaj Dam, were rather insignificant. But at the time, we felt that unless some infrastructure is built, we can't look to the development of either private industry or private agriculture, or increase productivity in agriculture and industry. Roads, ports, irrigation canals, dams, generation of electricity -- these were considered as absolutely sine qua non of economic growth, without which at that time we felt we won't be going anywhere. Besides, most of these projects had already been started, and once you start something it's very difficult to cut it out. These were the projects that the government was committed to, the plan was committed to. But we did achieve growth, and achieved it speedily. What we did was quite spectacular. We estimated that during the Second Plan Iran grew at around six percent a year, which was

substantial. For the Third Development Plan, using the previous experience, we felt the Iranian economy could grow at the same annual rate of six percent without difficulty.

On the pattern of income distribution, which depends on other factors beside investment allocation, we could exercise little control. For example, the whole apparatus of taxation, fiscal policy was an important factor over which we had no control. Taxation and fiscal policy and administration was ancient and entrenched and we could not influence it much. Regardless of what we did -- and our efforts were very valiant and we persisted over the years, we never gave it up -- but we never really succeeded in breaking into that bastion which was called the Ministry of Finance. The old practices continued, the old ways continued. The complicated laws which allowed an official's personal interpretation of laws that really did not accommodate a fast-changing society and a fast-changing economy remained unchanged. This was an important example of the type of things over which we had no control and if we had, as we had suggested, and if our policy and reform suggestions were accepted, they would have improved income distribution, even in the early period.

But in those days, the main question for us was how to increase the size of the pie. We were firm believers in the need for growth and cited the greatest world economic authorities in the defense of this thesis, that once you have growth, slowly, slowly things begin to trickle down to the other levels and in the long term, income distribution will improve. And agricultural income, for example, would increase, pulling up living standards in the rural areas, especially as in the rural areas more people would leave agriculture to go to industry and as agricultural productivity as such increases by further investments. We believed that the masses were bound, ultimately, to benefit from high growth policy. We were very honest at the time in this approach, in this outlook; but in retrospect we see that there was much more that had to be done, in order to be assured that in fact all the efforts that we made towards growth, and all the growth that was achieved, a large part of it would have in fact trickled down to the level of the masses.

The whole administrative apparatus of the social welfare program under the various plans, which included as I said, water, electricity and so on, was totally inadequate for the purpose of providing those services. The provision of agriculture credit to small farmers, for example, was extremely difficult. We just didn't have the administrative machinery throughout the country to supervise the agriculture credit. It wasn't just the question of giving anybody who came to the branches of the Agricultural Bank two hundred tomans and saying bye-bye and you should bring it back at such and such a date and repay the bank. The real problem was seeing to it that the loan was properly used, that in fact its use caused the income of the farmer to go up sufficiently to be able to pay off the loan. We didn't have the apparatus, we couldn't. If we had started it then, by now we may have had it. But we didn't have it at that time. We argued for it, we said it should be developed. Their whole organization of the land reform program that followed the land reform law, certainly, should have been and could have been far more modern, far more efficient, far better suited to the needs of Iran than what actually emerged. If in fact we had a good land reform administration to implement the law properly, the land reform law which was certainly forward-looking in the letter -- would have led to greater benefits. As it was, it combined with other forces that ultimately caused the fall of agricultural production, not only as a share of GNP, but also in terms of agriculture productivity per unit of land. Total agricultural output fell as a

rule and as an important economic sector it never reached its potential. This could have been avoided of course, if all the necessary factors were in good time properly mobilized.

Perhaps I should backtrack and tell you still another important aspect of our work in the Economic Bureau and at large in the Plan Organization. As I look back, one of the most significant things that we did was the training of a whole cadre of individuals, which included top-level people in the affairs of government. After all, we had all come out of university, we were only used to the academic atmosphere, which is nowhere nearly as disciplined as you would expect and find in the government administration. Certainly, the work at the university is never as structured as the work in a government. The need of working day after day, from eight o'clock and putting in your eight hours of work was something we all had to get used to. Of course, some of our foreign advisors had done this for long and we learned a great deal from them. Yet we had to keep a balance as well. While I insisted on maintaining a proper discipline in the Economic Bureau because we were receiving a salary, we were under contract, we were public servants, at the same time I wanted to keep the academic spirit among the members. I wanted to combine these two, if it were possible. And I think if anywhere in the government of Iran this ever happened, it was at the Economic Bureau of the Plan Organization during those early years.

I remember I insisted that everybody -- this may sound funny now -- while they were doing their work, if there was a gap in their time, if they had free time, that they should review their Samuelson, Principles of Economics, not to forget their tools, not to forget economics as such -- especially in the case of those individuals who were trained in sociology or related fields. As we had two or three of them, I pressed them to learn about economics and to study as much economics as possible.

Another aspect of a guiding philosophy in the Economic Bureau was that we should learn about the working of our own government. We were there to teach and to create due process of administration. That is, to teach that things were not to be arbitrary, things were to result from consultation, from investigation, from deep examination, from scrutiny -- not just by guessing, not by just putting down your opinion, not by hearsay, not by arbitrary opinion of one man, but by a collective view of men with different views. In other words, what I pressed, and I held to the very end to this very successfully, among at least my own colleagues, was a form of democratic due process among men. Even the most junior members of Economic Bureau during meetings had to stand and defend their position and I would force the senior members to submit to this type of procedure. They had to sit down and listen to their juniors, to make a defense for their position or to criticize a position that was tabled. This was another part of the quality of life, the quality of work that dominated the Economic Bureau.

Also at the same time, I insisted that we were advisors, that we should not be disappointed, that we should keep on arguing and make the best defense we can of the view that we have developed and the view which was presented to our Managing Director, Mr. Ebtchaj. Or for that matter, to the Prime Minister, as we often did, or to ministers, or to His Majesty, as we did rather frequently. This must be the view of the Bureau and not the view of the head of the Bureau or of the deputy head of the Bureau or the senior economist of the Bureau. That meant involving everybody in the production of the Bureau, of what went out of the Bureau, of the decisions

made by higher authorities. Everyone had to be informed, to know and to be involved. So I had instituted meetings, continuous meetings, staff meetings, committee meetings on various subjects. And things welled up from the bottom, to a great extent, met at the medium level by the seniors may have gone back again to reemerge in a different form to incorporate whatever comments that had come from the top. This was certainly another important aspect of the quality of life at the Economic Bureau.

Still another aspect was our task of not only training ourselves and learning about these things but of educating people outside of the Economic Bureau -- first the Plan Organization members itself. Now there we run into a great deal of resistance. We were the Young Turks. We were the newcomers. These people were there for years, these people were rooted there. These people had influence there, these people had built themselves castles and very often we wanted to destroy these castles. We wanted to break the molds of thinking which had taken them over, or which was dominant in the organization for a long period of time. And that was a very difficult job. But I think at the end we scored well. I think we succeeded considerably in penetrating the mind and the heart of the Plan Organization itself.

When you look back after years, many of the members of Plan Organization had already become department heads. Many members of Economic Bureau had become department heads in the Plan Organization and the Bureau had extended its influence throughout that organization to influence people from Mr. Ebtehaj down, including, of course, Mr. Hedayat who was there as his deputy, and Mr. Asfia who was the Technical Deputy of the Managing Director. They were all influenced by the spirit, the message and the work of the Economic Bureau. Whether they agreed with it one hundred percent or not was not the point; the fact is that they had become aware of it, there was a new awareness that had developed in the Plan Organization caused by the Bureau's presence and way of thinking and doing.

Beyond the Plan Organization we had a further task to influence the whole government of Iran, through continuous, inter-ministerial meetings, cabinet meetings and the High Economic Council meetings before His Majesty. In these meetings new concepts were being introduced, we were pressing for reforms throughout the government, not only reforms in the process of planning, but in fact in the process of total administration of the whole government of Iran, which we saw from the first day was absolutely essential. In other words, we were firm believers, and here perhaps we were parting ways to some extent with Mr. Ebtehaj's early concept that the Plan Organization could not continue to be an island unto itself, that Plan Organization could not be isolated and independent from the rest of the Iranian government with all legal authorities to do everything that it wished and still succeed in bringing about reform within government administration and widespread development of the country in its own perception. It had to become part and parcel of the government if its ideas had to prevail throughout the government, if its practice and its procedures had to be widely accepted throughout the government.

We developed many innovations in order to carry out these reforms. As an important example we argued for the establishment of a statistical arm for the Plan Organization. You needed information before you could develop plans, before you could develop programs, before you could develop projects, before you could assess them. As another example, we pressed for the development of a whole project supervisory type of administration within the plan to find out

how well projects were proceeding, to evaluate projects and programs independently of those who were responsible for the implementation of the projects, which was a very, very difficult task indeed. Then of course we talked about the need for having an administrative mechanism which would prepare the administration of the government ministries for the takeover of execution of the plan projects and programs, which were all being executed at the time by the plan itself. It was no use just to transfer the projects to the ministries. They needed to develop the capacity to handle the projects and to carry them out once they were given the responsibility for project implementation. And for this we argued and ultimately, as you know, a new department was created under the Prime Minister called the High Council for Administration. The first head of it was Mr. Manuchehr Gudarzi, who was a member of Plan Organization, one of our close colleagues within the organization. I remember I recommended him to Dr. Amini for that post, but let me come to that, if I may, at a later moment.

The Economic Bureau had a spirit of its own, it was like a Camelot, believe it or not. Maybe I'm too romantic, maybe I want to raise it over and above the times. But you know, by definition we were certainly in advance of those times, outside of the spirit of the times, we were above it and we were trying to pull all up with us. Nobody knew, for example, what GNP meant. The introduction, right or wrong, valuable or not, as I say as an example, of the whole range of various concepts of administrative reforms of economic concepts -- e.g., GNP, investment, savings, income distribution, intersectoral relationships, rate of growth, balance of payments adjustments, structural adjustments, monetary policy, fiscal policy, etc. -- all issued forth from the Economic Bureau to leave an indelible impression on the thinking of the government administrators and the political authorities.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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DATE: November 19, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 3r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. In our last session you were talking about your experiences in the Economic Bureau of the Plan Organization -- if we could continue where we left off.

A. Well, having heard the last part of the last tape, I was giving examples of the types of concepts we were introducing and I used GNP as an example, the concept of GNP. But there were many others, of course, more complicated, more important. Such as, for example, the whole notion of comprehensive planning. You know, both the first plan and indeed the second plan were principally an allocation of a certain amount of funds from the general financial resources of the country for development to the Plan Organization distributed among a list of projects which were prepared through a process of both surveys by consultant engineers, discussions with selected groups in the government and deliberations in the parliament. But when we entered the scene, we found that there were many problems in connection with such a method of allocating a specific amount of funds among a list of projects that were just identified and recommended by various individuals or groups, very often without really any basic studies.

Once I asked Mr. Ebtehaj, "What was the basis of selection of these projects?" He said, "The country needed so many things and all of them were so essential, that it wasn't very difficult for us to identify and select projects with pressing priority for development;" he believed that all that was needed was common sense. But you see, the difficulty that we faced was not that there weren't such projects, not that we denied the need for such projects at all, but the question was first, how much could the country as a matter of fact invest. That was one major issue.

And how would you divide that investment as, let's say, between long-term type of investment with long gestation period, which would not immediately contribute to the availability of goods and services, and how much of the investment you would use for the purpose of consumer goods type of investments with short-term gestation period that would immediately contribute to the flow of goods and services? The reason for that is simple enough, you have to coordinate and balance long term, short term production investments in order to prevent possible increase in prices, in order to be able to satisfy both needs, that is, provide for increased present consumption and for future growth. After all, don't forget, there were such great expectations

after the oil agreement was signed. Everyone thought the new oil revenues would quickly lead to increase in the flow of goods and services and a better life for everyone. There had to be a balance of some sort, you had to sit down and think about that problem. There was a shortage of goods and services but also of major economic and social infrastructure such as roads, ports, schools, housing, etc.

Q. There was, of course, the political implication in this too, public satisfaction.

A. Indeed, that's what I'm saying, the general expectation was such. As it were, at the time we arrived (which was, as I said 1958) we suspected that a great deal of the development budget's allocations would not lead to immediate contribution to the flow of goods and services. Capital allocation was also needed for maintenance and inventories of parts for the existing industrial capacity. Well, all that had to be calculated, we had to know how much that was. We had to know the cost of maintaining all these things and then we had to simply allow for the overages that had resulted from inflation caused by these expenditures within the economy. We had to have a notion about these things.

Above all, the question of foreign exchange availability was very important. Was the oil revenue sufficient to carry out all of this? Were these expenditures going to run us into shortages of foreign exchange? Indeed, soon enough, by early '60's, we ran into very severe foreign exchange difficulties, as it were. And of course the famous stabilization program that we had recommended much earlier, long before the Central Bank needed to go to IMF for the standby arrangements. Long before that we had recommended that we should take some financial measures in order to prevent further deterioration of balance of payment and further increase in the price level.

So we suggested as another basic concept, the idea of comprehensive planning, where on the one side you assess the total resources and find out what these resources are, what in fact you're able to invest out of the given resources of the country, that is after you have allowed for current expenditures, such as, for salaries of government employees, for defense, for the postal system, etc. and maintenance and inventories required. And on the other side, you decide what priorities you want to attach to what projects and what should be the distribution or the composition of your investment. And following that, you would come up with a series of studies that we call 'from the bottom up' approach, where each sector will be first given some kind of allocation to begin with, and they will prepare projects, recommend projects on the basis of certain priorities. At the end of the day the estimate of resources from the top, your overall priorities, your overall targets, of goals such as growth, such as employment, you begin to get your sectoral, and sub-sectoral type of projects. Following this by a process of successive approximations you come to what is called a comprehensive plan. This made more sense. We could calculate the saving of the country, we could calculate the foreign exchange requirement, we could calculate more or less pressures against prices and in fact we proceeded to do this.

Another difficulty which we faced, which led us to this approach, was the very famous difficulty which ultimately proved to be one of the reasons that led to Mr. Ebtehaj's resignation later on, was the fact that every now and then the government cut a part of the fixed allocations from the oil revenues to the Plan Organization which it had agreed to at the outset. The Plan Organization

was supposed to get eighty percent of the oil revenues and every so often the minister of finance would take a law to the parliament to reduce it or simply refuse to honor its commitment under the law. The Ministry of Finance's excuse was that the Plan Organization had the authority to borrow and should go ahead and borrow from abroad. How much could we borrow? After all, to borrow funds from the World Bank, or at that time from DLF or AID, we had to negotiate. It was a long-term type of negotiation. You just didn't walk in there and within a few days borrow the funds. So it was extremely difficult for us to continue to manage the financial problem of the Plan Organization.

At the same time, there were firm commitments to contracts under signed agreements which had to be honored. One of the notorious problems of Plan Organization was the shortfall of our financial resources as compared to the commitments and the amount of contracts already signed by Plan Organization. I remember about two or three months before Mr. Ebtehaj resigned in 1959, with the help of the Budget Bureau and the Financial Division of the Plan Organization, we tried to make estimates of the financial commitments on the Plan projects. We found that the Plan had committed itself, including the overages and the increased costs and so on, to one hundred and thirteen billion rials. Now, legally the Plan could only commit itself to no more than eighty-seven billion rials. The legal ceiling of the Second Plan expenditures at that time was eighty-seven billion rials. And here the most amazing thing happened. I remember going to Mr. Ebtehaj privately and talking to him about this problem. I said, "Mr. Ebtehaj, you cannot go ahead and commit the Plan Organization to a hundred and thirteen billion when you're only allowed to spend eighty-seven billion." He looked at me and said, "When are you going to understand that if I don't commit those funds, the government will take away those funds and mispend it on military projects." He banged on the table at me. But he knew in his heart what we were saying was right. And having been all his life a very correct person, having been all his life a banker who believed one's commitments should be equal to one's ability to pay, he had accepted the fact; and in fact he instructed us to study the problem of revising the size of the planned expenditures and make recommendations. And we did this and it came out in a very famous study, of which I think you ought to have a copy along with all these stories, and that's called "The Review of the Second Seven-Year Plan of Iran."

So this whole concept of comprehensive planning was a very important concept that we introduced into the country. Now comprehensive planning is something that requires a great deal of discipline, not on the part of one organization -- that is the Plan Organization -- but on the part of the whole government as such.

Q. This is the point I was hoping you would get to.

A. Yes, the most important were at least three organizations, one the Plan Organization, two the Ministry of Finance, and three the Central Bank. If these three didn't agree, if these three weren't convinced and had faith on a determined basis to carry out the comprehensive plan and stay with it, it would never be a successful plan. As it were, when we prepared the Third Development Plan on a comprehensive approach and Mr. Ebtehaj had already gone and we had allowed for certain flexibilities and so on, suddenly in the most arbitrary fashion in the parliament, one third of the plan funds was cut. I remember a story regarding the projections of the oil revenues, after Mr. Ebtehaj had gone, when Asfia was head of the Plan Organization and Amini was prime

minister. It was symbolic of the approach and the attitude of the Ministry of Finance, which bears relevance here. We had assumed an annual average increase in oil production of, I believe, seven percent in our projections.

Q. Increase.

A. Yes. Seven percent on an annual basis, calculated on the basis of past experience, the international oil market projections, the share of Iran within the Middle East as a producer, within the Persian Gulf area as a producer, etc. There was no reason why the world oil production should fall from all the information which was projected separately: from independent sources on the basis of information from abroad.

Secondly, there was no reason why the share of Iran within the total of Persian Gulf should become less on the basis of long-term agreements with the companies that were operating in Iran. We projected on that basis that Iranian oil production would continue to increase and oil exports would continue to grow a little less than seven percent. The Minister of Finance, Mr. Behnia, came and sat down in a meeting, chaired by Prime Minister Amini.

Q. Which Behnia is this?

A. This is Abdol-Hossein Behnia, who died by the way some time ago. I liked him very much, he was a decent man. But it's the question of the type of mentality that existed in the Ministry of Finance as against Plan Organization.

Q. I hope you go into that.

A. Well, the Ministry of Finance was a citadel of, I wish I could say, of conservatism as such. No. Not alone conservatism, although there were those people who were very conservative. It was a citadel of power. It was a citadel in the sense that these walls protected a presumed inner mystery. They felt that by not giving information they could manage the finances of the country better since no one could use any argument for more funds. It was mysterious only in this sense, they themselves didn't know very much, to be very honest with you. They didn't know what the finances were, certainly less than we did. But still they would pretend as if they had certain types of information that we did not have.

Well, to continue with the story, he came to the meeting and, just out of the blue, said the correct figure should be three percent. And we had said seven percent. Of course, that would have made a world of difference to the size of the projected funds for the plan. And we were pressing for growth, don't forget, we were pressing for an increase in national savings and greater resources for development. Whereas he said no, only three percent. I remember asking him, "Sir, where did you get your figure?" Just like that. In those days, it seemed even presumptuous to ask the Minister of Finance such a question. After all, he was the Minister of Finance and I was only head of a bureau within a presumed lesser organization, anyway. Ministry of Finance was a powerful ministry and all the ministers went crawling to it.

Q. Were they the ones who dealt with the consortium?

A. They were the ones who dealt with the consortium, that's right. Well, although the oil company, the National Iran Oil Company of course was there at the time. But legally they were responsible for negotiations with oil companies and the Minister represented the National Oil Company before the parliament. We had talked to the people in the consortium, we weren't that naive, we didn't just come up with those figures. We had got information from everyone we could. It was in the nature of things, the way we were trained to do it, you know. I wasn't really supposed to ask him that question, especially in an aggressive fashion. Anyway the Minister of Finance was not answerable to me. I said, "Where does this figure of three percent come from?" He looked at me rather annoyed and said, "It's my estimate and I'm a pessimist." This was his answer. I looked at the Prime Minister and said, "Sir, we cannot go by pessimism and optimism in such important matters. We have to have reasonable estimates. And this is the way we have figured out the seven percent and this is the basis of our calculations. Would the Minister give us a similar type of analysis in support of his figure?" At this point Mr. Behnia stood up and left the room. That evening he resigned. He resigned and I believe, well, as he let it be known that he couldn't tolerate this type of attitude and circumstances. He felt that his statements should have been accepted on face value and he should not have been interrogated.

This also goes to show you another aspect of the attitude of this new group of Young Turks, so to speak. We were not easily intimidated by position or rank. Because after all we did even debate with the Shah himself, and often with the prime minister. We were polite, to be sure; nevertheless, we insisted on some rationality for a position or a statement that was made, even if it was made by a minister, or a prime minister, or His Majesty the Shah. And if there was no rationality we asked for it. We wanted to understand, genuinely, we wanted to know where the estimates or statements came from and on what they were based. Well, that was by way of simply illustrating to you the nature of things.

The position and the difficulties of the Economic Bureau. We had entered into an organization, which was relatively young but certainly with a well educated, well trained and some experience. There were individuals there already with twenty to thirty years experience in various agencies and in various industries of the government, who were all collected by Mr. Ebtehaj, picked up one by one as best as he could, as he could find them. Of course, these people had their own views about things and their own position on issues. We intruded into their midst and the rejection process was natural. It was natural that there would be jealousies, it was natural that people would begin to develop certain defenses against this young group of people, not only the Economic Bureau but certainly the other bureaus as well.

Ebtehaj had already brought in Manuchehr Gudarzi, Cyrus Samii, Hossein Kazemzadeh, Madjid Madjidi and others who had similar backgrounds but were not members of the Economic Bureau. Samii, for example, at the beginning was head of Budget Bureau, and later on became the head of the Financial Division. Only later on he became the Deputy Director of the Economic Bureau. It is interesting to note that he quit a higher-ranking job to become my deputy, because he believed in the type of work that was going on in the Economic Bureau.

There were others, Javad Mansour, Karim-Pasha Bahadori -- all these people, as you know, later became heads of organizations and ministers. But this group of young people posed a threat to the people who were already in the Plan Organization with seniority over the new and the

younger people who were being appointed to higher posts. But through our attitude, because of continuous work, I noticed that after a couple of years, this problem within the Plan Organization was being solved and the situation was improving visibly.

Still the problem remained outside of the Organization. Our relationship with the ministries, our relationship with the prime minister's office, our relationship with the Ministry of Finance, with the Central Bank and so on, remained as a knotty, difficult problem. It was simply because, after all, the Plan Organization was given all this authority. Don't forget, when the Plan was set up, it had its own substantial financial resources earmarked. It had the authority to disperse directly. It could hire consultants to study projects or it could study the projects itself. It could tender out or directly choose the contractors for construction, foreign or domestic contractors. It had responsibility for the implementation or execution of the projects it had decided on. It could borrow from abroad. It had its own separate auditors appointed by the parliament. It was responsible for supervising and in many cases it continued to maintain many of the projects even after their completion, although it was understood that once they were completed they would be turned over to ministries for operations.

So the Plan Organization had a wide range of purposes. And this whole philosophy was of Ebtehaj's creation because he believed that Iranian traditional bureaucracy was inefficient and corrupt, and the task of development could not be left to them. He believed that a new organization with full authority and free of traditional fetters was needed and he was strong enough and experienced enough to push it through and get his way. I termed this approach "the wedge approach." That is a wedge-like organization to break into this soggy mess which was the inefficient, the effete, the tradition-bound Iranian government bureaucracy. Ebtehaj believed that without this type of approach to development, plans, programs and projects cannot be developed and implemented. If these programs and projects were left to the ministries, nobody can be sure of the outcome.

So there were tremendous jealousies within other ministries. Other ministries really did not have much to do. All the limelight was on Plan Organization and those who labored in shadows obviously would be jealous of those who had the limelight. More so, it was not only a question of limelight, it was sheer power and we know what power struggle means within bureaucracies and how important is the question of power distribution. People are people, they would not go by rationality alone. They would compete for their share of power in order to exercise it and enjoy its benefits.

And another problem was that the ministers always said that, "Look, we are responsible to the parliament and Ebtehaj is not, he's just a Managing Director and not a minister, why should he have so much power and authority and we the ministers who have joint cabinet responsibility and are answerable to the parliament for all the activities of the government, not be allowed to have a say on the design and the process of implementation of development plans?"

But there was also a basic, another important conceptual problem with the wedge approach to development which occupied our mind at the Economic Bureau and to be faced impartially. And that was, the ministries cannot be expected to improve unless they were given specific development responsibilities under proper supervision. We raised this question with Ebtehaj. We

argued for the transfer of responsibility for implementation of some projects to the ministries under the proper supervision, reporting and auditing of the Plan Organization. We argued that ministers should have a chance to go through a process of trial and error just as we were experiencing it in the Plan Organization. Let them make their mistakes, but give them some responsibility. Let them carry out those projects in order to learn, slow as they may be, about the new standards, about the new methods of carrying out projects and learn how to give proper accounting of their activities on projects, and so forth.

Ebtehaj wasn't at all convinced. He said, "I'll do it when they improve." But then, how could they improve without the challenge of the responsibility for projects. So we came to evolve the concept, along with comprehensive planning, of the necessity to transfer the implementation, the execution of projects to the ministries by the end of the Third Plan and leave the Plan Organization with the planning function, the design function, and the task of selecting and approving the consulting engineers and the contractors.

While we were proposing this, we were also concerned that the power to disburse would also be taken away and then the Plan would be left without teeth -- a piece of paper with a bunch of pious hopes and no performance guarantees. We had this great fear. So we were torn between these two concepts. Shall we give the executive power of the Plan Organization, all the power of execution, to the ministries without any provisions for assuring the execution of projects according to the Plan? How to be sure that the plan is carried out? How to be sure that the Plan has some teeth? The only way the Plan Organization could do this was to control the actual -- not just on paper -- the allocation of funds for the projects and programs. That was where the Plan could exercise a great deal of power. I developed a proposal and pushed it through at the beginning all alone, but later with the support of a few other people.

Q. On this issue?

A. Yes. On this issue. Now I'm going to tell you, what I proposed was simple. I said, "The responsibility for the preparation and submission of the total budget of the government, that is, both current and capital, should be located in the Plan Organization."

Q. Where was it at the time?

A. This is late in '61, this is just before the final approval of the Third Plan. This is the time of Dr. Amini's government that I'm now talking about. I argued the Plan Organization should have some basic control to make sure that the plan is carried out. And after all, what is the budget of a country? The budget of a country, especially in a developing country, in the final analysis, should in fact reflect, more than anything else, the national development goals of the country on an annual basis. And one should not separate the current budget from the capital or development budget, since they are interrelated parts of the total effort of the government to carry out its function. Furthermore, unless you exercise some discipline on the current budget, the current budget will keep on eating into the capital budget and there won't be sufficient funds or there will be smaller and smaller funds for investment, for capital accumulation purposes."

As soon as I said this, the idea exploded like a bomb -- a big bomb at that. So I talked to the Prime Minister, I argued with him, I prepared him. I had already introduced the concept to him before he became Prime Minister, advising him to accept the new approach before he took office. Afterwards, of course, because of Mr. Behnia, the Minister of Finance, Dr. Amini would not do very much, but soon after Mr. Behnia resigned, Dr. Amini kept his portfolio without appointing a new minister, he acted on my proposal and instructed me to prepare an enabling law for the Majles to approve the transfer of the current budget function from the Ministry of Finance to the Plan Organization, along with the transfer of the execution function of the projects to the ministries. He understood the balance, he understood this balancing act that I was proposing. And he supported me. In fact, as an exercise, that year's current and capital budget was prepared jointly inside the Plan Organization, even before the law was prepared. He instructed the whole Budget Division of the Ministry of Finance to come to plan for this exercise. And I remember that I chaired all the meetings with the staff of the Ministry and we wrote the budget for that year.

It's not important what happened later, just as a matter of history let me simply record it. About three months before Dr. Amini resigned, because of many reasons, including his differences with His Majesty over military expenditures and his political position had become rather shaky, I approached him with a draft bill for the budget function transfer to the Plan Organization. Although he had told me that he would not appoint a Minister of Finance until after he took the budget bill to the Majles, he did so before the bill had reached the cabinet level. The new minister of finance, Jahangir Amuzegar, obviously would not agree to a transfer of the budget -- an important part of his portfolio. I went to the Prime Minister with the bill. I said, "You instructed me, we studied this, we have worked on it for nearly six months. Why don't you take it to the cabinet and have it approved as a cabinet decree to be ready when the Majles convenes after the elections?" I'll never forget this session. He was sitting behind his desk, he looked at me, he said, "Khodadad..."

Q. This is Dr. Amini?

A. This is Dr. Amini. He said, "Khodadad, I haven't got the power to do it anymore." This was shattering for me and I was so totally crushed at the time. I loved and respected this man, you must remember. The two men, in my early government career, who had such an influence on me -- Ebtahaj and Amini. Amini was far more of a politician than Ebtahaj, of course. Let me talk about that perhaps at a later point when we talk about these characters. We'll pick them up individually and I'll give you my views on them separately. I'm mixing concepts with persons and so on. I don't wish to do that.

Anyway, Dr. Amini said, "I haven't got the power." And I was so disappointed, I stood in front of him and I looked at him. I said, "Well, if you haven't got the power to carry this out, then I will not work with you anymore." You must understand the circumstances, you must understand the situation, the disappointment that I felt at the time. This was a shattering experience for me. For me, in my view at the time, this was one of the greatest reform acts in the country, for the budget function to come to the Plan Organization and for the project execution to go to the ministries.

By the way, I forgot to say this, let me introduce it, it has to be introduced into this discourse. We called the first approach, we christened it the 'wedge approach', the policy that Ebtehaj had created, that is, cutting into the mess of bureaucracy with a sharp and powerful organization. The second approach, we called it the 'frontal approach', frontal attack by all ministries and organizational units on development, that is, by giving them responsibility, giving them the job to do and supervising it and auditing their work to improve on a balance. Or to put it differently, the wedge approach was a sort of strategic approach, if you wish, in terms of organization, not in terms of development as such. And the second approach was a balanced approach, if you will, frontal involving all government agencies in the process of development.

Anyway, Dr. Amini said, "I haven't got the power and you should continue to work." I said, "I don't want to work when the Prime Minister of the country doesn't have the power to carry out what he himself believed in and what he himself instructed to be done." And I resigned. I have never forgotten Dr. Amini, he was sick and feverish at that time. He was sitting behind his desk and I saw tears in his eyes. I have never forgotten this.

Anyway, that was the end of my first round in the Plan Organization, but by that time the Third Plan was completed, it subsequently went to the Majles. As I told you part of it, one-third of it nearly, was cut out. But the Third Plan did have a great impact on physical development, but more so on the process of thinking about development. Whether these achievements were because of the plan or because of sheer expenditures, it is a very difficult thing to assess. But after all, the ministries did become involved, the ministries did become conscious of the plan, they did talk about that plan. And their involvement in the preparation of the Third Plan was far greater than the involvement in the Second Plan, for example. There were nearly three thousand people involved in consultation, preparation; and the inter-ministerial committees, who all had responsibility with regard to preparation of the plan -- project preparation and so on. At the end of the day our biggest problem was in the process of preparation of projects. When the plan went to the Majles it had all kinds of flexibilities, particular flexibilities, which we had allowed simply because we did not have enough projects. There were projects which were already underway and they had to be completed during the Third Plan. Programs were easier in terms of allocation. So you see, to some extent the rationality was dictated by realities of the circumstances. It was sort of a plan in some theoretical sense. We just had to accept what was possible, what was real and understood that we should be looking for the perfect or as someone said, "let the best destroy the good." In fact, this is what we went after.

Let me now, that I've brought you to this point in the Third Plan talk about the circumstances under which Ebtehaj resigned. I think this should be interesting. I might as well talk about Ebtehaj. I remember the first time I saw Ebtehaj was in Hay Adams Hotel in Washington D.C. He had asked for me. At the time I was at Harvard and I had gone to Washington to see him.

Q. This was 1955?

A. No. This is 1956, I believe, 1956. Because in '57 I went to Princeton, that's right. I was at Harvard until summer of '57. I started here at Harvard in September '55 and stayed on until September '57, for two years before I went down to Princeton, so it must have been either '56 or '57, early '57. Because the summer of '57 I went to Tehran at Ebtehaj's bidding to have

consultations with him regarding the Economic Bureau. We visited in Hay Adams and then we had arranged for him to give a speech before the student group in New York. I was the chairman of the meeting and introduced Mr. Ebtehaj. In those days, of course, we were so young and so full of ourselves, you know, we thought we are the greatest and that there couldn't have been any of the previous generation who would have understood things or spoke languages as well as we did and so on.

Q. Who else can you remember in that meeting.

A. Cyrus Ghani , who was at the time the editor of the newspaper.

Q. Student newspaper?

A. Student newspaper. A whole group of other people, if I press myself I'd remember, but it may come to me. But I remember Cyrus Ghani vividly because he was so close to me. A couple of my own brothers, I think, I think Abolbasha was in the meeting, if I'm not mistaken. Anyway, I introduced Mr. Ebtehaj and I referred to him as 'His Excellency'. He stood up and thanked me very briefly and said, 'I want to make it very clear to you that I am not an Excellency.' That is the way he started, then he proceeded to give one the most polished speeches in the English language that I had ever heard, certainly from any Iranian, altogether beyond my personal expectation. I never thought he'd be that able. And this was the time that really captured me totally. He stood, without notes of course, and spoke in the clearest terms. When he spoke, you knew where the commas came in and where the full stop was. His sentence structures were perfect, his tenses and syntaxes were perfect.

I have rarely, with one exception that I saw afterwards Mr. Hossein Ala, seen anyone even to this day who spoke as clearly as Ebtehaj. By the way, he was just as good in Persian. And I was totally shocked because I had learned already that Ebtehaj's formal education was only at the level of a B.A. from Beirut. This shows, it is symbolic, in my judgment, always of the man's perseverance, of the man's intelligence, of his zeal to learn more and to reach perfection.

Anyway, he gave a very good account of what he was doing, what Iran needed and he kept on repeating that Iran needs development. And at that time he introduced me to a basic tenet of his thought which was that once you raised the standard of living of people through deliberate economic development, political problems -- corruption, inefficiencies, jealousies, etc., will be wiped out from their awareness, from their conscience, from their character if you will. And as the standard of living went up, people would become more straightforward, more cooperative, and that you would get true social, political change from the development of the country -- an issue which has been the subject, as you know, of tremendous amount of study and research throughout the world, whether it is economic development which brings this or certain other characteristics inherent in people which makes economic development successful. This is something which has been debated and is being debated today.

The second time, this is the time when he briefly talked to me about the possibilities of coming back to Iran and told me about his plans to discuss with the World Bank and asked me of my views about which university the Economic Bureau should be connected with. He had a friend

who worked with Eisenhower by the name of Richfield, who was Chancellor of Pittsburgh University or something. Anyway, he asked me what I thought of Pittsburgh, I said I didn't think Pittsburgh was the best choice. At least I didn't know that Pittsburgh had any experience in this type of thing. But I had said that I knew two universities rather well and I had great respect for the departments of economics in these two universities. I knew they were not strong only in theory, but also in experience. Princeton, as I told you earlier, did not accept because they were too small a department and I recommended Harvard and Professor Ed Mason, who ultimately reached an agreement with Ebtehaj to provide economic advisory services to the Economic Bureau of the Plan Organization.

Now I worked with Ebtehaj a total of one year, from the time that I was appointed until his resignation. My greatest regret in the world is that I didn't work with him three, or four, or five years, because the discipline, the courage, the resolve, the toughness and honesty of the man which were imparted to me in substantial dosage could have been much larger. I had seen very few people during all of my experience who had the courage of their convictions and Ebtehaj was one of the few.

Q. Can you give a couple of examples of what you saw?

A. He would stand before the joint session of the parliament and the senate in a private session (since as just the Managing Director he could not attend the Ordinary sessions), when he had heard that, for example, the senate or the Majles was manipulating to cut part of the funds from the Plan to be allocated to other purposes and strongly argue for the cause. Or they were agitating in the Majles and in the senate, in all political circles against Ebtehaj, against the Plan Organization, and so on. He would stand in front of them and he would openly tell them they're wrong. He would patiently go through his reasoning, explain to them what he was doing, time and again. But he would not budge one inch. He stood by his principles to the end.

There is a famous story, that I didn't witness of course, but an old man, who was at the time assistant to Ebtehaj for personnel told me. Later on I confirmed this story -- apparently, General Zahedi was Prime Minister when he wanted something from Ebtehaj. Ebtehaj refused and stood his ground. He had the authority to refuse. And Zahedi was the man, after all, who brought the king back. I mean, after all, the man was Prime Minister and a general, at that, he was tough too. He wasn't going to just back out. Zahedi sends a tank with soldiers to Plan Organization. This is a known story. And Ebtehaj stood his ground and called the Shah and said, "I just want you to know the Prime Minister has sent a tank and soldiers to the Plan Organization." And apparently the Shah interceded and the tank was withdrawn and Ebtehaj was left alone. He would not be intimidated by anyone.

Of course the greatest example of all that I have seen about the end is..

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

DIRECTOR: Habib Ladjevardi
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NARRATOR: Khodadad Farmanfarmaian

DATE: November 19, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 4r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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A. Well, anyway, I am a great believer. Ebtehaj had many enemies. I mean, I'm sure when you go around asking other people about Ebtehaj, they may give you other views. But I have always believed in this man, he was one of the toughest, one of the best public servants I have ever known in our country. There was another man -- all these are contrasts, which I also loved, I mentioned Dr. Amini and Ebtehaj. But there was another man, Ala, that Ebtehaj also loved very much and respected. And Mr. Ala was minister of court at this time and supported Ebtehaj to the end.

Ala once complained to me about Ebtehaj, "Why doesn't he listen? Why is he so hard on himself? Why is he so hard on his friends?" He used to drive us to the end of our wits, used to drive us to the point where we as young men (Ebtehaj was my senior easily by thirty years) just couldn't continue, we would fall asleep behind our desks. But it wasn't because he used his position or power. It was because he used arguments. It was because he made us feel the urgency of development in Iran. It was because he made us love -- it is true -- he made us love that organization. It was because he made us love Iran, he made us understand the urgency of the problem of the Iranian people.

Q. How would he do this?

A. Through day-to-day assignments and deadlines, always saying we have no time, the country has no time. We have got to get such and such project done, we have got to get this other project done, we have got to do this, we have got to go to the World Bank to get money, we have got to go to DLF and get funds. Constantly, constantly he drove us. There was no end to action. As I have written elsewhere, he had no time for contemplation; he had no time for speculation, only action. We moved forward, constantly. This was the energetic, amazing individual that I have seen. He was as Eugene Black, in the meeting of the Board of Directors of International Bank once said of him -- and this leaked out -- "a live wire." "A man who has got great convictions." He was highly respected by people like John J. McCloy, people like Eugene Black. They thought the world of him, they thought of him as a man of great substance. As an equal, that is what's interesting, that's what I want to point out. And God knows he was equal to anybody in this world that I have known. If Ebtehaj was in America he would have been either Secretary of the Treasury or, I don't know, I don't know maybe he wasn't that much of a politician, but at least he

would have operated the biggest corporations in American. In my judgment, he would have come up to it, he had no problem.

And he had such an eye for figures and facts. He never missed anything. Don't forget his training in banks. He would look at a whole bunch of figures and put his finger right on the wrong one and call attention to it. We were all amazed at his acumen. He never missed. How he saw it. And he never was pretentious; he never sort of shook out his finger at us afterwards, saying that, "Do you know who I am." No nonsense like this, you know. But he was just some kind of a genius about figures. I have never seen anyone so exact. He just read reports, and God forbid, any mistake, any mistake, whether it was in the text, or in the figures used, he would never miss.

Let me give you an interesting example of this. One day, he had asked me to write a letter to some famous American. And he wanted a very good letter and I suppose that's why he asked me to write it. So I wrote the letter. I knew by then what type of character he was and I wanted to make sure there were no mistakes in this letter. Before I had it typed, I also gave it to one of the Harvard Advisory people to read it, especially to look for any mistakes in the text. He said, "That's fine, there is no mistake." After it was typed, I reread it again. So, I came to his office and at the door of his office there were several people, we had a meeting with him. All these American-educated, English-educated collected there, waiting to go in. But I went in advance to give him this letter. This letter was two paragraphs. I put the letter in front of him and he read the letter. He saw it. He said, "Are you sure there is no mistake in this?" I said, "I'm certain, sir." He said, "Yes, there is a mistake in it." I said, "Sir, it is impossible." I never forgot this letter. And sure enough, he put his finger on the mistake. I'll tell you what it was later. The mistake was such that it could be corrected. I apologized to him. He said, "Please correct it and send it," because he had already signed it.

I brought the letter out to this group that was standing at his door. All of them spoke good English; they were educated in the best universities and so on. I said, "Gentlemen, I'll make a bet with all of you. In advance I tell you, there is a mistake in this letter. Can you please locate the mistake for me." Every one of them read the letter. None could find the mistake. The mistake was very simple. I had written 'so and so esquire -- esq.'. I had not put the period after 'esq.' you know when you abbreviate you put a period. I mean, he was that exact. He's been well known for this, of course.

And when he took a position which was not, in our judgment, defensible and we opposed it -- he often took such a hard position on things, you know -- after he would calm down and we would explain why we thought he was wrong, he always apologized, he always accepted. Not in the heat of the argument because he would scream, you know, he would raise his hands, he would bang on the table. But when he calmed down... And I had developed the habit of catching his hands, holding his hands, just physically holding his hands and I was probably the only person, maybe short of his wife, who had developed the courage to do it to him somehow, because he loved me, I knew he loved me. I'd see it in his eyes, because he knew I was that open with him, that I had accepted him that fully, you know, he wasn't going to fool around with me. He respected everybody else too, it wasn't that he didn't. He used foul language sometimes with certain senior persons which was not in good taste, but it was out of sheer exasperation. When he

got mad, God forbid, we heard him at the other end of the building. Well, I think I've talked about Mr. Ebtehaj enough, although one can never talk enough about him.

Q. But most of the educated subordinates, foreign-educated subordinates that he has had -- and some of whom I have met and talked to about Ebtehaj -- seem to have shared similar feelings which you do towards him. Were there subordinates who disliked him? What type of people would that be?

A. Honestly, I'm the wrong person to ask, because if there were subordinates, young subordinates, who disliked Ebtehaj, they would have never told me. They were afraid to tell me, because they knew how close I was to him.

Q. So it seems that he had an excellent...

A. I don't remember. I don't particularly remember. Oh God, there were many who complained, day in and day out, why does he do this to us, why does he drive us crazy. Yes. But I cannot call that dislike or hate or anything of this sort. Sometimes I used to come out of his office, so help me, I wanted to explode. I wanted to resign. I felt --- I hated him, in a superficial sense, because he was driving us to the ground and he would never compromise on the work. He would never compromise the end result.

He would say, "Look, whatever you do, this work will be finished by this deadline." I mean, and he would remember his deadline. This is another thing. The discipline of this man -- on the dot, on the day. His special white phone, the "hot line." You know we had this direct intercom system, through telephones -- I had two phones on my desk, one was a general phone, the other was Ebtehaj's phone -- it would ring. "The deadline is today, when is the report coming in?" I'd say, "Sir, it is in the hand of the typist, I'll get it to you as fast as possible today." He said, "Remember, today you have until five o'clock this afternoon and no later. I'll have to sign the project, I have to read the report, and I have to send off the letter." It was impossible. I try to remember, I try to put back myself in that atmosphere. He was the greatest, one of the greatest public servants Iran ever had, in my judgment.

Any judgment about others, for example he loved, he loved Ghavam al-Saltaneh. Ghavam to him was a great man, this is very interesting. He always told me this. He always had the deepest respect for Ala. He thought Eghbal, Dr. Eghbal should have been a mayor of some little town, not the prime minister of the country. He never believed in the man, he didn't have the slightest belief in the man. Amini, he always told me, he was a friend of Amini for forty years, close friends. Until of course, as you know, when during Amini's premiership Ebtehaj was jailed. And he, to this day, has never been able to understand. Dr. Amini explained this in terms of circumstances and so on. Ebtehaj says, "No, he knew me for forty years and he allowed me to be jailed. No excuse." It was a pretext. There was no substance to it, as it was indeed proved, as it was shown; because the whole thing was a ridiculous farce.

Q. Maybe you can go into that, the circumstances, the resignation.

A. Well, let me go into the resignation. We knew a week, ten days before resignation that things were looking bad because there was a great deal of activity in the Majles and government circles against him. A great deal of representation by Prime Minister Eghbal and various ministers to the Shah against him. And they coined the phrase, referring to Plan Organization as 'government within a government', as a way to attack the Plan Organization. That this was a separate government. That this was some super government agency and you cannot have a situation like that in a constitutional government or any government or any country, you cannot have a situation like that. All of this, of course, was hard politics, I mean as I said earlier, the question of distribution of power. The question was funds, money which gave power to the Plan Organization. Other ministries didn't have as much power. So there were agitations throughout by many against the Plan Organization and Ebtehaj continued for years. And he stood his ground.

He used to go to the Shah frequently and take hours to explain all the Plan problems and his position to him. And I remember he always said, "Look, if Iran is successful, the whole world will say that it was the Shah of Iran. Maybe ten, or fifteen or a hundred people will say Ebtehaj had something to do with it." He used to tell me that this is what he told the Shah. He told the Shah, "Look, what I'm doing is a credit to you and to your government and to the country. It is not a personal thing I am doing for myself."

Well, still the situation deteriorated and what I remember, Tehran was rife with political rumors about Ebtehaj and the Plan Organization. Everybody was phoning, asking me whether or not Ebtehaj was going to stay or go, what's going to happen. You know, this type of thing. Well, one day I was called into his office, within that last week, and he told me that Admiral Radford is coming to the Plan Organization for a meeting with several others. I knew them all. "And I want you to come to this meeting. Who else do you think should be in this meeting?" And I recommended the chief of the Harvard Advisory Group, Mr. Hanson, and Dr. Moghadam. He said, "All right, attend the meeting with the other two people at 9:00 A.M., because the admiral and his party are coming here to be briefed on development in Iran."

Admiral Radford at the time was the Joint Chief of Staff of the United States under Eisenhower, this is '59, and had come on a very special mission to talk to the Shah, to see Iran, and be briefed on questions of development and military, but principally military. I believe Ebtehaj was aware, but we were not, that the principal discussion with the Shah had been on the subject of military development and military expenditures. Well, Radford came in with two of his colleagues. One was George McGhee, who was at the time, if I'm not mistaken, undersecretary of the Department of State. The second one was Kenneth Iverson, who used to be in the earlier years the Ford Foundation representative and now had something to do with the State Department also. One of the functions of George McGhee as undersecretary at the time was oil policy.

In the meeting, Ebtehaj sat at the top end of the long conference table. Radford sat on his right (immediate right), I sat next to Radford. Opposite was McGhee, Ken Iverson, Dr. Moghadam, and on this side next to me was Mr. Hanson. After the initial words of welcome by Ebtehaj, and he was quite polite, in that sense, Admiral Radford started by saying that, "I'm here to examine the military requirements of Iran and to talk to various authorities about it, and to look into Iranian development requirements, and talk to you and be briefed about what is going on. Once

Admiral Radford had finished talking about his purpose to look into military need and military requirements, Ebtehaj made a fist and raised it and banged on the table so hard -- I have never seen anything like that -- and said, "Admiral Radford, Iran needs economic development, not military power." And he proceeded on that theme with the greatest of gusto and fervor mixed with anger, if you wish. Ebtehaj said that the Iranian government doesn't understand these problems, that by any objective or rational examination of the Iranian situation, when there are people in the country of such low standards of living and the country at such low level of development; our first efforts must be guided to raising the standard of living, that no military or defense can be built on the back of a weak economy. That, at the end of the day, unless you have a strong economy, all the military forces in the world cannot defend the country.

His thesis was that the best defense for the country is a healthy economy, is a higher standard of living, and that once you have that, you will get people to defend their own land. Now they don't have much to defend. Well, Admiral Radford's face turned completely red, of course, he was shocked and, deeply embarrassed.

Q. Not insulted?

A. I suppose he felt insulted, but there were no insults in that sense, only in the sense that he banged on the table. But don't forget that Admiral Radford was Joint Chief of Staff of the United States, I mean, he was here in this developing, smaller country and he wasn't even talking to the prime minister or the Shah, but an "administrator" of a government agency. He was shocked! He was shocked, totally shocked! I kept on making faces at Ebtehaj and inviting him to be quiet and so on. Anyway, there were some more discussions and they got up and left. The next morning, we were sitting in a meeting with him.

Q. With Ebtehaj

A. With Ebtehaj. Mr. Hedayat walked into the room. Mr. Hedayat was his deputy.

Q. Khosrow Hedayat?

A. Yes. Khosrow Hedayat was his deputy, who also held the title of Assistant Prime Minister to be able to attend the parliament, he was the man who took care of all the parliamentary relationships and he was a great diplomat, a wonderful person -- but let me talk about him later perhaps. He walked in and whispered something into Mr. Ebtehaj's ear and Ebtehaj only turned to him and said, "Are you certain?" He said, "Yes, I'm certain." And he said, "Thank you," to Mr. Hedayat. Mr. Hedayat walked out of the room. He got up and said, "Our meeting is over." Didn't say one more word and we left the room. But we knew something had happened, we had heard a few words. But as soon as we came out, of course, and sat at our desks, the telephones began to ring; and we learned that what had happened was that very morning a bill was introduced to the Majles to put the prime minister in charge of the Plan Organization. To put the Plan under the prime minister, which meant to subject the Plan Organization and Ebtehaj to the authority of the prime minister. It was simply a legal maneuver to tell Ebtehaj to get out. And Ebtehaj took it that way, very clearly, and he was right to take it that way. This was the full intent.

What is sad is that they had -- it goes to show you the power of this man -- they had to pass a law to change the whole political relationship between the organization and the government, to be able to get rid of Ebtehaj. Nobody would turn about, simply tell him -- neither the prime minister nor the Shah -- "Please submit your resignation." Because I know for a fact that Ebtehaj, several times, had already submitted his resignation, but the Shah had not accepted. I suppose either the Shah wanted a more opportune moment to accept it or the Shah this time had no choice. Now, whatever was the immediate explanation, I don't know. Was it simply because of the Radford situation, or something else? Well, that was it. We all sat waiting. Finally, his white phone rang. He said, "Please come to my office."

Q. This is the same day?

A. The same day. After the meeting we were all waiting to see what has happened. We knew he would be going, we sensed this. I came to his room and saw some cardboard boxes on his desk in which he was placing his personal belongings. He said, "Why didn't you tell me?" I didn't know what he was talking about. He said, "Why didn't you tell me?" I said, "What, sir?" He said, "I never signed the official form that would formally designate you the head of the Economic Bureau." I said...

Q. What do you remember at that time?

A. No, no, wait. Because he had asked for all the outstanding things to that date to be brought to him for signatures. Among those was my official employment form, the writ of my office, my...

Q. Your appointment.

A. Yes, my appointment. I said, "Sir, I didn't even think of it, I didn't even need it." He said, "I apologize to you." He signed it that very day. The day he left I formally became the head of the Economic Bureau.

A. It goes to show you something, that in those days we didn't need these formalities to give everything we had to the organization. You know, the biggest concern of a bureaucrat is to receive these various documents on a regular basis, the minute he arrives to receive the forms of his appointment and salary, either from the personnel office or whoever is supposed to sign those forms indicating what step or what grade and what position one is assigned. Well, we didn't really care. This was the spirit that we had. Everybody was worried sick over when they would receive either the letter of promotion or the letter of becoming the head of a bureau, or getting a higher salary, etc. This was the truth.

In those days, I went about with full power, with full strength, signed everything that came to me and I didn't even have the formal authority, from the managing director. But when he signed, he reinstated me from the very beginning with his signature as the formal head of the Economic Bureau, of course, I couldn't talk to him, I had tears in my eyes. And he said, "I have just now written my letter of resignation. I don't know why they had to go to the Majles and change the law in order to get my resignation because I had submitted it several times before." And then

Ebtehaj left. Thank God, after him Khosrow Hedayat was made the managing director of the Plan Organization and Minister without portfolio in charge of Plan Organization.

Q. Why "thank God?"

A. "Thank God" for Hedayat because we needed a period of quiet, we needed a period for healing our wounds. We needed a period where through quiet effort the Plan Organization could have gained stability and strengthened its roots. A period for the Economic Bureau to continue its work and to develop new lines of communication with the government agencies. And nobody could do this better than Hedayat, because as I said, he was a great diplomat and politician. He had great experience and background, and he had great love for the organization. He was another wonderful man I had the fortune to know, although of a different make altogether than Ebtehaj.

But don't forget, he told me the story that when Ebtehaj had offered him the post of Deputy Managing Director, he had already an offer to become minister but he rejected the offer and chose to become deputy to Ebtehaj. So he had great loyalty to Ebtehaj, he thought a great deal of the Plan Organization, and he was extremely able in politics. I had never seen anyone who could so quietly wield power and handle difficult men like the Minister of Finance, the Prime Minister and the Shah. He had such political skills that Ebtehaj never had. In our country, one needs these political skills. One shouldn't always look at these skills in a derogatory fashion, in my judgment.

You need political skills to try to work your way through this, as I call it, soggy mess, through this cobweb, through this labyrinth of politics, of this great bureaucracy, of this dense bureaucracy, this obtuse Iranian bureaucracy; which has no heart, which has no easy reaction and you have to be able to manipulate, you have to be able to mobilize a huge force in order to make a dent in it, in order to find a passage through it in order to push the work that is to be done, and in order to carry out your duties in the way you see fit. In order to reform. The task of reform is so hard in a country like ours, was so hard, and is still, I'm sure.

We thought, just to go back again, the wedge approach, Ebtehaj thought the wedge approach would do it and could break right into it. The fact of the matter is, even if the Shah wanted -- now we judge -- even he couldn't have done it, because bureaucracy could and would sabotage it, if it was so inclined, in that political atmosphere and under those circumstances. So you see, you come to the position that development can go as fast as the most inefficient or the slowest sector or organization within the total whole, not as fast as the most efficient one. That is the heart of the matter. It's very difficult for one organization to pull the whole of that big bureaucracy with it.

As I look back at the whole situation, my judgment is that it is very difficult for a formula like that to work in developing countries. Such an organization as the Plan Organization was with, let's say, special privileges, special means, special powers, with special funds to carry out the job of development will be inundated with political pressures, with acts of resistance, with obstacles, by other organizations, by sister organizations, by the whole government, by political centers, by power centers and ultimately buckle down under pressure. For the simple reason that people will not accept the judgment that one group of people, even selected on the basis of merit, are better

than anyone else. What is more, questions of outright interest, money, power as I said, will come into play under all circumstances.

At the time, of course, Ebtehaj was convinced that was the only way to do it. You see, at the outset, when they talked to him, they told him with urgency, "We've got to do something with this oil money as quickly as possible." Well, if he took that very seriously, if I were him I would have also suggested that you have to create an organization like this to carry out whatever you have in mind. He wasn't alone in making that suggestion, there were others -- the foreign advisors; the people who did the surveys. A man called Thornberg -- who was at the time the head of the advisory group of what was called OCI, which also helped to prepare the First Plan -- also felt that the plan must have such powers in order to carry out these projects efficiently and quickly.

As it were, there were achievements --there is no doubt about this -- under the second development plan. Many projects were developed. Both long-term types of projects as well as short-term. Roads, railways, ports were built. A whole program of fertilizer, pesticide was carried out very successfully. Mechanization of farms and distribution and maintenance of tractors. Cities received electricity, sewage systems, water supplies -- some hundred and seventy cities, if I'm not mistaken. Many industries such as cement; textiles, sugar, etc. were established. And of course, this expenditure by the public sector began to generate activity in the private sector, which in itself was very important. And we begin to get, about this time, the emergence of a whole new group of entrepreneurs in the private sector.

So, while one may question the model, one should see the achievement also. Now if, let's say, they had started by simply distributing the money among all the ministries, would we have had all those projects carried out? Now that question is no mystery for me, because I can give a very quick answer to it, having been familiar with what was going on. Not even one-third of them would have been carried out. I have no doubt about that. Which ultimately brings to the fore the recognition by the public servant of what is possible, given the structure of a society, both in terms of politics and in terms of economics. I don't think you can proceed to develop economic models in vacuums, or organizational models in vacuums. These models have to somehow relate to traditions, to characteristics, to the politics and the political nature of things, if you wish, to the social fabric of the society in which you are working. Of course, now I'm saying this with the help of hindsight. I didn't think these things in those days. In those days I was burning with a flame, like so many other young people, for growth and development, for administrative reforms, for honesty, for wiping out corruption, for social reforms, such as land reform.

Q. What sort of a difference in the political context would have made your job easier at that time, as you were looking out, outside the windows of the Plan Organization. What sort of a role?, or the prime minister, or the Shah himself would have been more helpful to you?

A. I have never been convinced, to this day, that they really ever understood what economic development was all about at that time. I have never been convinced that they really wanted economic development and the national discipline that it required. But you see...

Q. They being who?

A. Outside of Plan Organization, I'm talking about agencies, ministries, civil service, the government, and so on.

Q. How about the Majles?

A. And the parliament, par excellence -- which is sad. They never understood or accepted or could accept the discipline, the national discipline, the reckoning, the accounting that is required by economic development. They still don't, in my judgment. And that is what has lingered on. If you were to make an assessment of all the years (let us say the past 30 years) and try to decide what is it still that holds us back, outside of the recent revolution and the war with Iraq, was the inability, and I use that word purposefully, inability of our people to understand the deliberate, systematic, and disciplined approach for changing of their environment. Somehow, they believed that things would happen one way or another and that certain things could never happen by their efforts.

I remember so well, some of the old men used to come to my home, when we were preparing the plan, to advise me. Members of the family, you know, friends of the family and so on -- to advise me on various things. One of the most frequent pieces of advice was, "They will never let you do it." Now, I could not understand, "Who are they?" But 'they' to them was a mysterious power someplace, now it could have been the British, it could have been the Russians, it could have been certain dark forces beyond our comprehension. Well, I think I should stop there on that question.

Q. How did you people feel when Ebtehaj resigned? What was the feeling among your colleagues? It almost sounds as if you were relieved, that tension is now going to be reduced and there's going to be a more tranquil period.

A. No, it is, again, with hindsight that I am saying this.

Q. But at the moment...

A. At the moment, we were deeply disappointed. I seriously considered resignation.

Q. Did you discuss this among yourselves? Mass resignation, perhaps?

A. I don't remember that type of behavior. Certainly Ebtehaj would have never wanted us to do it that way. Without a doubt, as time went on, our position weakened, especially after Hedayat left, our political position weakened.

Q. When did he leave?

A. Hedayat was there a couple of years -- that's right, a couple of years -- then he went to Belgium as our ambassador. Aramesh, the famous Aramesh came to the Plan Organization; that is when I resigned. This is before Dr. Amini was Prime Minister, during the first cabinet of Sharif-Emami. All of us threatened to resign. He accepted some resignations, he didn't accept my

resignation. I went to the Shah and complained to him about Aramesh, saying this man is not interested in any work of development; he's just politicking here. And the Shah said, "All right, you go and report to Asfia." Safi Asfia now was deputy and he was not assigned any work by Aramesh. Aramesh would not send him any papers. I used to go every morning just to sit with Asfia and talk to him and then go back to my own room. Otherwise, I did not do any work at all.

Several times Aramesh appealed to me to work with him. He said, "Don't worry, I'll fix it so that the Plan Organization would be very powerful, it will do everything," and so on. But I just didn't have any faith in this man. I made some investigations, personal investigations. I found out that certain corrupt acts were at least attributed to him. True or not, I couldn't really verify it. But as I continued in the Plan, just sitting there, doing not very much, some of the foreign contractors and consultants came to me just to air their complaints. They said that during that administration, there have been several inquiries from them, whether they would be willing to pay certain people in order to get their backlog of payments paid to them, the backlog of their approved billings that had remained unpaid by the Organization. None of them said that it is the head of the Plan who wants to be paid, however, I felt that if there was any truth in what they were saying, the Managing Director either was directly involved or indirectly, at least, responsible. I would come to the Plan, just sit there. I would not sign anything. I did not make any reports; I did not go to see the Managing Director during this period, until the time that Dr. Amini came.

In the meanwhile, I went to Dr. Amini's home very regularly, and you remember this is the time when elections were taking place and Dr. Amini was attacking the corrupt practices during the election. The Shah disassociated himself with the election and then, of course, Sharif-Emami was appointed and Sharif-Emami was now the prime minister and this man Aramesh was the brother-in-law of Sharif-Emami. You remember his fate later on, of course? Aramesh was shot dead. Presumably, the man engaged in activities for establishing a republic. Politically he was a very questionable character, anyway. I just couldn't get along with him.

But as soon as Amini came, Asfia was appointed as head of the Plan and I became deputy head of the Plan; for economic and financial planning until, of course, at the end of Amini I resigned and completely left the Plan to go to the Central Bank, which is a separate story altogether.

One of the acts of Aramesh that hurt me tremendously was in a secret session of the parliament, he had attacked the World Bank as being an imperialistic type of organization that has extended its control through the Plan Organization to carry out its presumed evil goals in Iran; which to us sounded rather odd. Of course, now after the revolution we have heard a great deal of this type of thing. But in those days, for anyone to accuse the World Bank -- which has been always very proper in terms of the extent and the nature of its relationship with the member countries, indeed seemed unusual to those who knew this institution. We certainly had never seen anything improper from the World Bank, had never seen anything dictated to us by the World Bank, except as we would choose, except as we would accept their terms and conditions. I mean, every loan had terms and conditions. But Aramesh put a whole new color on this relationship with the World Bank and to us this relationship with the World Bank was very important because we had so many projects going on with the World Bank.

He accused Black of all kinds of wrongdoing, of all kinds of questionable relationships with Ebtehaj and with others. I remember the first time after all of this, as deputy head of the Plan when I went to the World Bank, Dr. Amini had asked me to give a special message to Black and now I can talk about it. I was charged to go to Black to express the due apologies of the prime minister and his government for the behavior of this previous head of the Plan Organization. And really, there was a need for apology, because Black was over and above these things. He was a man of great international stature. And he was a very even-handed man. I've known Black also for a long time. He was a hard man too; he just did not throw the money of the bank around, to be sure. But he went by rules, procedures and policies, which were approved by the member countries or their representatives.

In any case, the situation was such that during this period, the Economic Bureau was a very quiet place, didn't do very much and we awaited better news. The total length of time that Aramesh was in the Plan Organization could not have been more than three months or so before Amini came in. You know, that short cabinet of Sharif-Emami, which carried out the elections and created a new parliament. Again, Dr. Amini attacked the parliament and again he closed the parliament and he ruled by edict for quite a while there, until after he left a new election took place.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

DIRECTOR: Habib Ladjevardi

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TRANSCRIBER: Laura Serafin

NARRATOR: Khodadad Farmanfarmaian

DATE: November 23, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 5r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. I have been listening to the tapes, the four tapes that we have recorded so far, and there are certain questions that have occurred to me that perhaps if you could expand on some of the points, subjects you've already discussed, I think it would be helpful and useful to people who will listen to these tapes.

The first one is in regard to the relationship of you, your brothers and sisters with your father. Obviously, he was an extremely unique man. Just before we turned on the tape recorder, we were speaking about the relationship between not only your brothers and sisters, but with the third generation children. And this obviously must be a legacy of your father. If you could talk about that, talk about him, how he brought up the children and how you lived with him, how he treated you, how he trained you.

A. Well, I'm glad you think people would be interested in this. I think it's an important part of my cultural background. A very important part of Iranian cultural background to understand families of that nature. You must remember, when my father died I was only eleven years old. That's right, he died in '39 and I was born in 1928. But it is amazing how, even to this day, this man has been ever present in my mind. Hardly a day passes that I don't think of this man, or about him. He had a lasting, deep influence on all of us.

Let me explain the circumstances under which we lived. We had a large compound, all of us lived there, that is, my father, all of his seven wives and the children. Later we moved up to our summer residence in Tajrish when our town compound was taken over by Reza Shah. In any case, the wives lived in separate houses with their own children and servants. To give you a perspective, when my father died, there were twenty boys and twelve girls that survived him. But before he died, he lost several children who had grown up already. For example, you may know about Nosrat al-Dowleh Firouz, who was variously over the years, Minister of Finance, Minister of Foreign Affairs; Abbas Mirza Sar al-Lashgar, who was Minister of Justice; and two other sons who died younger, Nezam al-Din Mirza and Mohammad-Jafar Mirza. But on one occasion, I remember distinctly that one of the senior mothers told me that my father, just before he died, had told her that he had lost fifteen children who had come of age; meaning, I suppose, they must have passed their early childhood. So altogether, he actually had forty-seven children, whom he had bred and educated.

His main philosophical point that I remember and had made to us repeatedly was that we as his children should never depend on worldly goods. He insisted that worldly goods would not remain with us. As if he knew the future. As if he knew that we would have ups and downs in life, that we would have revolutions in countries like Persia. As history would have it, he was proved right, at least twice in my lifetime and once before. He insisted that we spend all our inheritance on our education. And he saw to it, while he was alive of course, that every one of my brothers, Kaveh, went to Europe and was educated somewhere at some institution of learning of high reputation. After he died, the guardians and our mothers continued the same practice so that we were all educated from, at the time, Petrograd -- which is the Leningrad of today, that is before the Russian Revolution, in the case of my second oldest brother, Mohammad Hossein Mirza, General Firouz (who, by the way, lived at the Hermitage, which is now the museum, but used to be the Winter Palace of the Tsars) and was educated there as an officer of the guard, and before that in France -- to Portland, Oregon and Seattle, Washington. Right across two continents, including, of course, one of my brothers who graduated right at the time of the war from Germany; in fact, he stayed during the war in Germany. Jamshid graduated from Belgium, Manouchehr was educated partly in France and England; Aziz in France and the youngest boys and girls went to the United States, that is, after the Second World War.

After my father died, we all went to the United States for education. And there we had covered all the states, boys and girls. There isn't a member of my family, among all the brothers and sisters of mine, who at least didn't succeed in completing college. Several of us have Ph.D.s in various fields. We have historians, we have medical doctors, we have mechanical engineers, we have electronic engineers, we even have economists, entomologists, biologists and many who have M.A.s and B.A.s from various institutions of learning throughout the world.

I remember when we were children we used to visit him. And it wasn't like a regular situation of a home where the father would sit there every night and the children would gather around him. Nothing of the sort. We had to be summoned to see him from time to time at his pleasure, for his reasons. For example, if he had a few of his friends visiting him at lunch or dinner, he would select one or two of his children, who would be called to attend that particular lunch or dinner.

Other than that, there was a standing dinner with him on Thursday evenings where we all sat down. Our mothers stood around taking care of us, including the servants. And he sat at the top of the long table, just beaming down upon us with such great pleasure. At those dinners I remember...

Q. Were they just the younger children or would the older children be there too?

A. These were generally younger children, because the middle generation was already studying in Europe and the older generation had their own families already. The older ones had open court, they could come and go as they pleased. For example, Nosrat-ed-Dowleh, who was already in his own right a great man -- minister and member of the Majles. Or for that matter, Mohammad-Vali Mirza, who's my second oldest and now the oldest living brother. The older ones who had married and gone off were free to come and go, but the younger children went as they were asked to go or on special occasions such as Thursday nights or Norouz, etc. On Friday mornings, the brother who was the oldest would line us up outside of his sitting room, which was very large, and would march us into his presence.

Q. Who was he?

A. Depended on who was available. I remember in my days the oldest brother was Abolbasha; that is, he was not in Europe or elsewhere being educated.

Q. How many of you would be there?

A. For example, the times that I remember, there was something like ten to twelve of us. He would line us up on Friday mornings. Of course, we were all cleaned up previously at home and wore our best suits. And he would march us in before the old man, who was sitting at his breakfast alone with a small table in front of him. He would peer at us from behind his thick eyeglasses, then the older brother would order us to attention and in a military tone he would say, "One, two, three," and then we would all bow to my father and then again stand at attention.

He would then get up and stand holding onto the back of a chair, doing his leg exercises to enable him to move. Don't forget, he was over eighty years old at the time that I'm talking about. He was afflicted with all kinds of infirmities, old age, you know. He would then talk to us about our education, about our future. He would tell one brother to go and become an engineer. "And if you can't become an engineer, you be a plumber." To another one, he would say, "Be a carpenter." You see, he had a full sense of the importance of technology and the future of the world. He knew that the type of life that he had led himself was impossible for us to continue. He knew we had to have our skills, he knew we had to have our education, he knew that we had to learn sciences in order to be useful to a future society. And this was from day to day, week-to-week, just pounded into our heads.

Now, after this he would come and walk in front of us with one of his servants holding a box of candy and walking behind him -- hard candies -- and he would kiss each one of us, go right down the line, and put one candy in our mouths. And then he'd go back again to his chair. Of course, during all this time, the girls were totally free. They didn't have to stand at attention, they didn't have to stand in line. I remember girls just climbed all over him, they would sit on his lap and he kissed them and stroked their hair; and we were extremely jealous of this, because we didn't understand at the time. But he was extremely soft with women. With us, at best that one peck on the face and that's it.

The rest was a very formal relationship. And we always addressed him as "Ghorban." "Baleh [yes], Ghorban, nahkheir [no]." After all, don't forget he was a prince, he was a prime minister and a great man, years before all of this. His very presence inspired awe and respect. And, in his own right he ruled so much of Persia as governor in those days, as you know, governors were just little kings. But this man had a deep wisdom that did not create the impression that he was just an old, empty box, used to some ways and forms. There was a great deal of substance in his handling of us, in handling the separate wives, in managing a major administration which was our household, in the way he audited our daily education, the way he supervised our health programs. He was legion for this.

First of all, you must remember, he had a large secretariat, that handled all these matters and directly reported to him, not to the wives, just to him. It was located in his very palatial mansion -- it was a palace, certainly in all senses of the word, for the times, and compared to our houses. This was a large place which housed, on the lower floor, several very interesting things. Just to mention some, one was a teahouse, that is where tea and refreshments were prepared for a continuous stream of visitors and guests. That in itself was a very large place, several people worked in it. Next to that was our central telephone operator whom I still remember. He was a very patient, nice man and operated the telephone system for the whole household. Next to that was a bureau full of clerks, ten, twelve clerks who sat there and dealt with various things such as correspondence, accounting, reporting, communication with schools, at home and abroad, with our villages, with the provisional and the central government. And then he had one particular

Q. Was he an Iranian?

A. Yes, Ali-Asghar Sadr, he was a well-known man who was one of my father's important assistants and we called him Monsieur because he spoke French. There was a great deal of substance to this household. It wasn't just a household where we slept and ate. There was much to it. And all the stories that I have talked about what went on, I hope one day to be able to write them separately. Every one of his children should write, because together we might give a true portrait of this interesting man, and also our circumstances, about the way we lived.

We lived a simple and austere life. Don't let me create the impression that we lived a life of luxury. On the contrary. I remember he made us all wear, for example, "Kazerouni," which was the coarse fabric, very cheap and rough textile which was produced in Iran. And I have never forgotten how I hated this material and its abrasive texture against my skin. I hated it, but still it was a standing order that we wear this textile because it was Persian-made. We had tailors who came and just measured us and made it for all of us. The girls, however, were treated separately again. They were always allowed to have a bit of fluff and lace and so on. This was something which was accepted and couldn't be changed. But the boys were treated that way.

What luxury we had was the gifts given to us on Norouz. But he had developed a system, for example, of connecting the gifts with the performance in the school. He never punished us physically, rarely ever did he punish -- not only didn't he punish us, he had admonished our mothers and servants not to use physical punishment. But he certainly punished us through other systems when we did poorly in school. And one of the systems he used was to give an inferior gift on Norouz if you hadn't done well, let's say, in school the term before.

Q. What sort of gifts were they?

A. The gifts varied. For example, I remember in my case I had done badly in Koran, you know. This is a very great story of my life, what I went through with the reading of the Koran. I just couldn't understand the text. We were not supposed to have translations. Nobody knew the meaning of the words, and everybody read it and we were supposed to parrot it. And I just developed a revulsion for it. I couldn't do well in reading the Koran, since I didn't understand it, and I was a child of six or seven at the time. I had private teachers, everybody was there to help me, but still I wouldn't respond. When I brought bad grades, that Norouz I received a Japanese

bicycle, which all of us hated. It was clearly a punishment. In those days, Japanese bicycles were no good. Japanese or German bicycles were not desirable. What we all wanted were English bicycles. The "Seh Tofangdar," I remember, the Hercules bicycle. And the younger brother received a Hercules, and in my case I received a Japanese bicycle. Within a week the mechanism was gone, it just couldn't work anymore. So actually, it was very cheap compared to English bicycles also. He would use this type of punitive system.

Anyway, I received a bad grade once -- I've written this story some place, maybe I'll give it to you as part of this if you think there is interest. I've written this story, this particular vignette about my problem in connection with the Koran and the reading of the Koran, but I think it's too long a story to engage your tapes with.

Q. Tell me about the relationship between the wives and the children of different wives. It's very, it seems very unusual for the unity that existed, that it did exist in the compound.

Q. First of all, let me not pretend that there was no jealousy, that everything was perfect, that our relationships were perfect. The difference was the ingenuity of my father in maintaining a just balance in a difficult human situation. Don't forget, when you have seven wives, and you cannot change the nature of the human being, there must have been jealousies between mothers. Certainly there was. But the power of this man was so strong, he would not allow the pettiness or the jealousies to emerge, to come to the front. He kept them dormant, that is his genius. He kept them dormant. He prevented these jealousies from becoming exacerbated and then becoming an open fight, an open war. He could do it because of his long experience in administration of human institutions. He applied the experience and his wisdom to the management of his complex household.

Q. Did you ever observe an example of this?

A. One. He kept us separately. The mother was totally independent in her own home with her children, her servants, her kitchen. You see, we had all separate means all together.

But you ought not to forget it.

Q. So that the need for interaction was minimized between these households?

A. Yes. So we had our own centers of things. We had our own independence. The mother had her own rights and ruled her own domain, there was no doubt about that.

Q. So none of the wives lived in his own house.

A. Nobody. He lived alone. He lived separately. There was a eunuch who had freedom [to go to] all the households. I remember his name was Agha Hossein, you know, 'Agha' ba 'ghein'. He was a little guy. He was a black man. There was also a small black woman who was his trusted keeper of his personal storage house in which the best candies, and the delicacies were kept away from all of us, for his special guests and special occasions.

Anyway, the eunuch would simply arrive and summon one of the wives, to come for whatever purpose it was; whether he had something to say or attend a mixed company of guests, or whether that very night she had to stay with him the whole of the night. So one wife would always go and stay with him for the night. At the end of his life, as I remember, of course he would impose on the youngest ones, by definition. Not only because they were young as women, but also because they had more strength to maintain this old man. The older ladies now couldn't. Don't forget, some of the older ladies were fifty years senior to my mother, forty years senior to my mother. Ezzat al-Dowleh, the daughter of Mozaffar ed-din Shah, first wife of my father, must have been, what, forty years senior to my mother. My mother was a young girl compared to them. And the others too. So my mother was called in much more often than the other wives.

He was quite judicious in the treatment of the children. That is, in spite of appeals of various mothers for giving favorable treatment to their own children, he would still come down with a very judicious judgment regarding the children. He would not give undue gifts to one and none to the others. He would not punish one and not the other. He would not encourage one and not the other. He was extremely even-handed in his treatment of the children. And so was he -- and this is a very interesting point for you -- in the distribution of his wealth among the children. He made sure that he did justly and well by his children in his will. There is an exception, the exception is this. Those children who grew up while he was alive could get away with much more because they had direct contact with the man, and what was more, they had their own families, they had their own status to maintain. Well as, for example, in the case of a younger child, he was being taken care of. He didn't have servants, he didn't have responsibilities to the society as such. He didn't have to have greater means or he didn't have to have equal means as the older brothers or sisters. He was judicious.

He also made sure that all of us received proper medical treatment. Almost like an army. The mothers were under instructions to provide the children with quinine, for example, every week or every two weeks at regular intervals as a precautionary measure against malaria. As a preventive medicine, our whole household, the servants and their families would be given quinine.

My father almost always immediately appeared at the bedside of a child who was taken ill. This was almost a ritual with him. He made sure that the servants, often uneducated, and the mothers sometimes not as disciplined as he would have liked to have seen them, properly ministered the doctor's instructions to the children and the right medicine was being dispensed. He would ask them to rehearse for him the treatment that the doctor had told them. Then he would give the child all the assurance that he's going to be well and he would leave. And that gave the child a great sense of security.

Although he was distant from us, he was always present. We always felt his constant attention to our welfare and powerful influence on our lives. Without fail, he always read our report cards carefully and questioned each one of us on the courses, and then dictated his comments to a clerk, on all our report cards before sending them back to the school. This was a regular preoccupation with him. We knew that if we did badly in school, he was bound to learn about it sooner or later. He was dominant in our lives and our minds.

Our family compound consisted of a large oval garden, with his palace located at the top and the separate houses of the mothers according to their seniority to the right and left around the garden.

You can imagine what happened after school hours, we just poured into the garden, all of us -- boys and girls of different ages with our bicycles and tricycles, footballs, other toys -- to play before the call to go for our private lessons or dinner.

Q. Going to different schools, or were all of you going to the same school?

A. Again, we were bunched very often. The girls naturally went to different schools. Those days, you know, girls schools were separate from boys schools. Girls went to different schools. We would bunch together and boys and girls played in this big garden. And as we played, we tended to choose our own age groups and we became more than just brothers and sisters, we became friends. We had a football team, we had our bicycle. We had our outings with our tutors to the mountains as groups. So it was just like school in itself. We had our movies and our parties. In those days there were not many movie houses. My father had a movie in his own house and we would be all invited to watch a movie and this was such a great occasion. And I remember, funny enough, when the hero and heroine would kiss each other, the man who was in charge of the "aparat" or the projector, would put his hand in front of the camera to censor the act of kissing.

He had his own separate kitchen located at the end of the garden, a very big kitchen. And food was brought by a covered truck to the other end of the garden at each meal. You must remember, so many people were eating at his own table and at his large house. A recent publication sets the number of people who lived in his household at 215 and the others who served the household but lived outside of it at 486 (cf. Seighe-Maishat Dar Ahd-e Qajarieh). This total of 701 people does not include people who served his household and received wages and salaries outside of Tehran. There were trucks which brought food from the villages directly to the household, including chickens, rice, and from Kermanshah, animal fat and butter. And these were, again, judiciously distributed among the households according to the needs of each.

He sent us abroad at an early age for our education, in those days Europe. And once he had made up his mind, there was little consultation to be made with the mothers or anybody else. He would just inform the mother that he has decided to send this or that child away for education to Europe. He never sent the girls to Europe. He had the girls educated at home as well as in the local school. But of course girls went to Europe later on for the continuation of their education. After he died, all my younger sisters went abroad for their education. But in those early days, my elder sisters remained at home or were married. Yes, it is a, it is a great story.

Q. So when he died, was there a big vacuum in the preservation of the family unit?

A. There weren't that many very young children left. There were, probably about ten of us below 18 years of age. But then, don't forget, the president of the senate, the president of the parliament, the president of the central bank, the Bank Melli, they were the appointed guardians according to his will. My oldest brother, Mohammad Vali Mirza, and the mothers attended a committee of the guardians where they discussed all matters relating to our education and life. Of course, once he was gone, we didn't have the source of security. He was a great source of security to all of us. We felt it. We knew as long as he's there, we're all right. But then, very shortly afterwards, after his death, most of us were sent abroad anyway. Some of us went to Beirut because of the Second World War and the circumstances, which prevented us from going to Europe, and shortly after the war, of course, all of us went to Europe and the United States.

I have yet to meet a person in Persia, who didn't refer to this phenomenon of my household, who didn't talk about my father's genius in terms of educating his brood, this large group of children. There were many people who were as rich or richer than my father and the children were brought up in a traditional way of, I don't know, vegetating, hunting and just enjoying life, and without much education to help them throughout life. When I returned to Iran, I hardly had a small amount of the inheritance that my father had left me.

Q. I was going to ask you about that.

A. Hardly had anything that my father had left. Yet, I had no fear whatsoever; in spite of the fact that I was already married to Joanna and with two little children, I had no fear whatsoever that I'll have any difficulty managing my life. Because I rented a house from one of my sisters, Homeira, and lived in that house. I had a piece of land which I had sold earlier and invested in Coca-Cola and so on. This was all. The Coca-Cola Company went bankrupt and I did not retrieve much out of it.

Q. This was Coca-Cola of Iran, franchised in Tehran.

A. We didn't have the franchise of Tehran, we had Esfahan and Khouzestan. It was mismanaged, nobody would go there, nobody handled it. Another phenomenon is this. I remember I wanted to build a house and we just didn't have money. The central bank would give me a certain amount loan. I went to my brothers, I needed to put down some equity myself and I didn't have it. And two brothers -- one was Tariverdi who was killed in a shooting accident later and Manouchehr, my other brother who had helped me. They jointly owned a piece of land and simply told me, "Sell that piece of land and the money is yours." And I did it immediately and used the proceeds to pay for my equity and started to build my house. It took four years to build it because I had to stop construction every six months, once the money was finished; but still I ended up with a very nice house.

Another ingenious scheme that my father used to keep us together after his death was in his will he had assigned joint membership of a piece of land, for example, among fifteen sons. He did this as a matter of keeping us together and preventing the breakup of the family. Children of different mothers often shared inherited properties, because he did not want to allow possible differences among his wives to interfere with the unity among his scions.

Q. You think this was intentional?

A. Absolutely it was intentional. I have no doubt that it was intentional. To be sure he could have given each a separate piece of property. But he wouldn't do it that way. He wanted us to be connected with each other and supportive of each other or having at least some interrelationship with each other the rest of our lives. And this is what you started your question with. And it has so remained. This is the most amazing thing. It has so remained.

Now, I started by saying that I cannot deny jealousies and competition. Oh, I think all my life there has been competition among us brothers and sisters. There is no doubt about it. Yet, there has been a special relationship also. We competed against one another, to be sure, but that was

because we were given a sense of high standards that we felt should be satisfied and we competed as if each wanted to be the standard bearer. If I competed against my older brother, it was because I thought he was hitched to a high standard that had been handed down from my father. We knew always what he wanted, we knew he wanted excellence. And if I didn't make it, I would have a feeling of shame in front of my brothers and sisters, far more than ever in front of you as a friend. My brothers and sisters were the people I had to answer to. Not that I was ever questioned by them as such, but the values and standards remained dominant in our psyche and drove us and we operated on that basis. In that sense there was competition, to be sure.

His property was divided into fifty-two shares. That is, you know under Islamic law, the boys receive two shares and the girls one. So there were twenty boys; they received forty shares. And the girls received twelve shares. All the property which was not specifically bequeathed was divided up into fifty-two parts. This involved us with each other the whole of our lifetime.

Q. You were partners in many financial ...

A. We were constantly partners. A very interesting phenomenon. As I grew up, I remember for example, even on a financial basis I was sometimes closer to a brother from another mother than to the brother from the same mother. He always sort of wiped out this thought that a mother may have put into our head that, "You are separate, you are different from your other brothers and sisters," by simply eliminating the importance of coming from another mother. He pressed the point that you are brothers and sisters.

There was an affinity, there is a love. As I look at this, and into myself, you know love is a subjective thing, it is very difficult to decide, to be sure, you can't define it. As I look into myself, I've always loved my brothers and sisters. I've always been happy to see them, I've always wanted to be with them. Where it comes from, I don't know. But when I see them with me, I see the height of excitement that shocks me also, even today. When we are together, there is a height of excitement, which is extremely interesting. Haven't you had enough of my family?

Q. Let me now bring it to time wise? What would you say of them, when you look back on your career and your relationship in government and politics, and so on. What have been the advantages, what have been the disadvantages of being a member of this large, distinctive family?

A. If I were to be born once again, I wouldn't want anything changed. I've often asked my own brothers and sisters this too. I would not exchange the circumstances of my birth. I would not exchange my childhood. I would not exchange my teen years and my adult experience. If I were to be born again I'd like to go through exactly the same thing. Maybe this is too much of an ego, maybe this is too much to say, but that's how I feel as a person about it. Nobody that I have met among my generation has ever experienced the excitement of life and the joy of life that I have had. Maybe, principally, because of this large family, because of this phenomenon, because of this excitement, because of this constant news, because of constant high standards that were set, because we were waiting for this one to leave university and become a medical doctor and for that one to become a minister, for the other one to be sent to Europe. It was a live household. It was a genuinely live household.

We had secrets with each other. My brothers and I talked about girls to each other. I'm sure the girls talked about boys to one another. We shared these secrets with one another. There was a community, in the full sense of the word. And there was a romance to this community, great romance to this community.

All my life, with the exception of these last few years, we were held in high esteem by our society. I don't have any complaints. Sure, there were jealousies, sure there were problems, jealousies. God knows why there are jealousies, but then there are if you are better to do, if you wear better clothes, if you live better, even your peers may be jealous of you. But that happens anywhere, that is everywhere. That's not something that...

Q. It seems that the network that you had, with so many brothers and sisters, all educated, in different fields and professions, you were able to at least supply each other with extremely valuable data, information as to what was going on and to help each other, put in a good word for each other.

A. I'm glad you raised that, I should have talked about that. Many people thought we were a mafia of a sort. That we were so interrelated that we had secret meetings of some sort, that we gathered and there was the eldest who sat there as the doyen or "Godfather" and told this one what to do and that one what to do. And then we were watchful of the interests of the others constantly. There is nothing further from the truth. This is the interesting phenomenon that I want to point out.

We were such amazingly independent individuals in our own right, each and every one of us. As I said, I don't care if anybody accepts this or not, but now, but now this is all passed and I can speak easily without any problem. I don't care if anybody believes it. Each one of us is such independent an individual. We gathered together -- and by the way, I've never remembered that all of us ever were in one place, it was just physically impossible you know; always some of us in Europe, some back home. Even after we were all educated and we were back home, all of us were traveling constantly and so on. You could never collect in one place. But we have had large gatherings and on a regular basis, meeting at the home of this brother, that sister and so on. These were family occasions where the talk ranged from sex to politics to money to what do we do about, for example, this brother who has this problem in this sense that, if there was such a brother who had raised the problem.

Normally, as I said, in cases of finances, I would only go to two or three of them who were especially close to me. I wouldn't go to every brother and sister, because I happened to be closest to them. They were my close friends, that's just like yourself, Habib. If I was to think to whom to come talk to about my financial problems, as a person outside of my family, naturally I would only have two or three people to go, saying, "Now, look, I have a problem. Can you help me?" This is true of yourself too, of many people. You don't go around into the family council and say, "Now, look..." Although there were such cases, when I left the Plan Organization, I had a very heavy debt. A large overdraft in my checking account. I was informed of it just before I resigned as the Head of Plan Organization.

Q. In '73?

Farmanfarmaian-05r

A. Yes, in '73. I was informed that the overdraft had become very large and that I should do something about it.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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NARRATOR: Khodadad Farmanfarmaian

DATE: November 23, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 6r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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A. The bank was worried that I may not have the ability to repay the bank. It was in the neighborhood of – I'll tell you – it was exactly two hundred and sixty thousand tomans. And at the time I didn't even have four thousand tomans in my account. Of course my salary, which was around twenty thousand tomans at the time, was regularly deposited into this account. But I thought to myself, "Look, you're leaving the Plan Organization. You can't leave the Plan Bank (it was the bank of the Plan Organization) with such a large debt. Something had to be done." I had nothing to sell. I had nowhere to go to. The government wasn't about to give me a bonus. I had no retirement. This is a funny situation because I was resigning. Once you resign, you know, you lose all this.

And Mr. Hoveida, I mean, after all, I had a fight with the prime minister. I was leaving him. He wasn't about to give me a bonus and I wasn't about to request a bonus or accept one.

I called my brother Cyrus. Put the problem to him. Cyrus at that time was co-chairman or deputy chairman of a family-owned factory, which was called Naft-e Pars. I called him in because he was probably the closest brother I ever had. We grew up together since we were two years old. I remember him from the time he was two or three years old. That well. All through the years, in England, in Beirut, in the United States, I just loved him, and he was very close to me.

So, I said, "Cyrus, I've got to pay this debt and for your information, I'm resigning, but nobody else knows this. In fact, I have already resigned but I promised the prime minister not to tell anybody. I have to tell you because of this financial problem. You're close to me, don't tell anyone. But before I leave the Plan Organization, I've got to clear this debt." He said, "How many days do I have?" I said, "Maximum, a week." Within a week he came back, deposited a check in my account. It was two hundred sixty-six thousand. He wanted me to have some extra cash to be able to live for the next, say, few weeks as well, after my resignation.

Later on, when I asked him about this story, he simply told me that he went about to some other brothers that he would choose at that point and asked each to help. Each one of them gave ten, twenty, thirty thousand. He succeeded in collecting a hundred sixty or seventy thousand and he put in another hundred thousand personally from his own funds.

Q. This was a loan or?

A. This is another interesting aspect of our relationship. This had happened to me before when I had resigned from the government and had no salary and walked in the streets. I used to go every day and collect money for my living expenses from my brothers, various brothers. I went to their offices and told them, "I need money. Do you have any extra money?" The particular brother that I asked, two, three, four of them – one was Abolbashar, for example, would put his hand in his pocket and come out and say, "Here is five hundred toman that I have. You take three and I keep two." You know. There was never an accounting between us. Unless it was a formal thing, that is, I may have sold, as we did, a piece of land to my brother and that way there was an accounting, obviously. But in this term, very often I was in Europe, another brother in Europe, he paid the bill, without me asking him to do so. This type of relation, right or wrong, existed among us and to this day it continues. And will continue to exist because it is a form of cooperation, you want to call it, joint support, generosity which is within us or perhaps a part of our culture. We Persians are generally like that.

So Cyrus did this, and on other occasions I had the opportunity to return the favor. When at a later date I went to private business and I was doing well financially, at one point he needed funds urgently and fortunately I was able to provide it to him. This give and take was there. And it didn't matter if I didn't have it, if I couldn't return it to him. He would have gone to another brother or something. So, this was a marvelous relationship, as I said, which just cannot be duplicated under other circumstances.

Q. But on occasions where your position could have created at least a semblance of conflict of interest, perhaps as governor of the Central Bank you had a brother who managed a bank, or as head of the Plan Organization, a brother who was a consulting engineer or a contractor. What did you do about that?

A. In all cases, I had the habit of assigning one of my deputies, these people are alive, on a request that I do not want to know anything, whatever is fair, whatever their due give it to them. But then again and this is known among those who are familiar. All during my tenure of office in the Plan Organization, for example, poor Rashid and Farough (two of my brothers), who had a large firm of engineers, never received one piece of work, never received one contract. That's what Rashid always told me afterwards. Not one piece of work. Whatever work they had, and they were doing during that period, the three years that I was in the Plan, was given to them by Asfia beforehand. In the case of Aziz, to this day he doesn't forgive me, because I genuinely fought a project, not because my brother happened to be its architect, no. Because I loved him, I believed in him as an architect and when I wanted to build my own house, I went to him and he gave me a free plan for my own house, but I just did not feel the project should have priority.

To this day Aziz has not forgiven me because I took the position before His Majesty on the building of the stadium, of the Aryamehr Stadium. To the extent that there were at least five letters from Moinian, quoting the Shah directly, instructing me to give the contract to him. And at that I never handled the work directly in any way. I left it fully at the discretion of two of my deputies, one was Moghadam, and the other was Radpay. They both had the reputation of being the toughest and exacting individuals, but they were very correct and decent at the same time. I

mean they wouldn't penalize my brother just because he was my brother, nor would they accord him any advantages. They were very hard, but even-handed persons and they had full authority to deal with the project as they saw fit. And also, what is more, the project was never signed in the Plan Organization at all. The project was transferred to the Ministry of Housing and Development and signed by Kooros Amouzegar, the Minister in charge.

I was extremely sensitive, regrettably so, about this question that you raised, because of our name.

Q. Didn't you raise the question of what were the disadvantages of the name or the family?

A. The advantages have been important. One of the advantages was, I'll be honest with you, in a country like ours, because of my name so many doors were opened. I'll say that it was a fact of life, I enjoyed that. I could walk to the office of any prime minister. This wasn't true of everybody. My name, my card was enough. Probably the prime minister knew my father, and if he didn't, his father was the closest friend of my father. You know, this type of relationship that we have had in our country, our society, as it were. Every door was opened. In that sense, it was a great advantage. Yes that is true.

But the disadvantages – the natural jealousies. And as you saw after the revolution, my family was the only family probably, with the exception of Pahlavi, which was given the "en masse" treatment because of the name. I remember when Bazargan introduced the law for protection of Iran's industries, which meant taking away, nationalizing many privately owned plants. Instead of referring to a person as in other cases, in our case the law said "famil-e Farmanfarmaian." The family or Farmanfarmaian included an eighty-six year old woman, a ninety-three year old man, and children at the age of two or three, and so on. Who was supposed to be guilty? Why the whole family and not specific individuals? I wrote a letter to the government, of course, but there was no reply.

People thought that this family was an indivisible, rich and a very powerful unit. You know this, in our own right, I don't know any member of my family who would even be considered to be in terms of wealth among, let's say, even the top hundred. Far from it. Not even one. It is true, this is a large family and most of them are well to do. But not a one would reach the level of the top hundred; I would say even the top two hundred in Iran. Not a one. But all of us put together obviously would qualify. But don't forget, we were independent and separate individuals with the same name. You can collect a whole group of 300 or so individuals from all walks of life and together they will have considerable wealth.

But I had my own home, I had my own interests. For example, Ghaffar (one of my brothers), as you know, ran Bank Tehran and had the major shares in that bank. I never had one share in Bank Tehran. I didn't even bank there.

Whereas, for example, very often when my brothers wanted to invest money, they all approached other brothers and said, "Would you like to come and share in this or that investment?" There were many brothers and sisters, and I wasn't one of them until I left the government, who had

shares, for example, in Naft-e Pars. But there were many other shareholders, besides the members of the family, as well.

It was only natural in our society that you would turn to members of the family and put money together to undertake an investment. That way we cooperated with each, to be sure.

So, there is a brief statement, I think. Is there anything else on the family that you are curious about?

Q. Well, I could come back to it later when it occurs. I would like to go to something else now.

Q. There has been a lot of criticism by people, for instance, such as Dr. Amini, regarding the introduction of well-educated but inexperienced individuals, being placed in high government positions. I mean they talk about this fellow who just gets off the plane with a PhD and they make him minister or deputy minister. Now in a way I may be mistaken, in a way you were the first of this breed, or one of the first of this breed that came and entered a new field of education, having qualified you to take on this heavy responsibility. I'm wondering if, you know, you could look back on this aspect of your own experience first and then maybe generalize it; and see what were the benefits, pluses or minuses of this, and if one were to do it over again – you know the conflicts that were created with the old-timers and all the other things that you went through?

A. I really think that is a very good question. I've spent the last three years reflecting on – as honestly as I can and it's very difficult to be honest, since these matters are subjective. One has one's own perception of things. Others have different perceptions.

I've tried to reconsider myself in the early days – and you're quite right, I was among the new breed, I was also among the most well known of them.

Q. Actually a term "Massachusetts" was coined.

A. Much more than that, much more than that. By the way, when I came I wasn't that much of a "Massachusetts". But I was in the sense that I was at Harvard and Princeton and so I fitted the category. In this quest for truth, for an objective picture, I don't think I've succeeded yet. But I have sort of found some areas within which I allow myself to talk, within which I can talk objectively. And I don't know whether I'll succeed in giving you the full picture. But I will ultimately because I'm preparing two talks, one at Harvard, one at M.I.T., purely on my reflections from 1958 to 1978.

What I am looking at are changing images, and changing perspectives, and changing perceptions within myself. How I was then, how I looked at the world at that time, and how I am looking at the world today. If I can only succeed in spelling out or in drawing out, in painting this picture truthfully, I think I can come out with a lot of answers to the very questions that you ask. And I don't have any other guinea pig to use in this laboratory except myself. And believe me, it is one of the most excruciating experiences of my life to try to go back and understand what I was then and look over the years and see what happened to me. In terms of my thinking, in terms of my emotions, in terms of the changing value system, what was important then, what is important

now, I haven't got it worked out yet, maybe I will. Maybe I will. If I do, if I ever wrote, certainly I'll make it part and parcel of this writing, of this oral history and give it to you. I have no difficulty giving you anything. I can be as open and honest, it doesn't bother me in the slightest. When we came first and I apologize for the use of "I"; you must understand when I say "I", in some way I'm representing a group of people like myself. But you must remember, there was even within this group, this so-called or so-thought homogeneous group, there were variations, please remember this. Variations in terms of background, in terms of experience, in terms of educations, in terms of intelligence, in terms of character, in terms of loyalties and so forth. So let me refer to I with that understanding.

This I, as I've already told you, was about fourteen years old when sent abroad, away from Iran. By then, what I knew about Iran naturally was limited. In my particular case, my Persian language was strong because at the age of seven we were reading Golestan-e Sa'di with tutors. This was my father who insisted on understanding of Persian literature from a very early age. We were reciting poetry for him; this was his greatest pastime. After those Thursday night dinners that I referred to earlier, we would collect around him, he would sit on a chair and we would sit on the ground around him, and we would start "Mosha'ereh" - this game of poetry, you know. And then we would go round until people were eliminated and finally a champion would remain. A champion would get, I don't know, a large silver piece and the rest of us would get smaller silver pieces.

We grew up in a religious household. Our mothers were generally religious - my grandmother was the most religious person in the world. So, it wasn't that I didn't understand religion or religious background in Iran. It wasn't that I didn't understand the tradition at all. Many a time I went to sleep by listening to bedtime stories of my grandmother.

Q. This was maternal?

A. Maternal grandmother. I never saw my paternal grandmother, of course. My maternal grandmother who would tell us these stories, which related to the Persian tradition, which related to her background and tradition. I had a dose; I had a developed sense about Persia, to be sure. I had a feeling for Persia. I had a feeling for the Persian community, not that as I am accused because of my name and because of my background, because of my father, only of the elite, no, no, no. My mother originally came from a small village. My grandmother was just a very simple, uneducated woman from a little village called Checzar and she married my maternal grandfather, from the neighboring village of Niavaran, who was a gardener to my father. My mother was the daughter of the gardener of my father. I mean, that part of me was an interesting part, which I hope I'll have a chance to talk to you about it and show how helpful it proved to be during the revolution. We learned and developed a sense about village life in Iran. I knew about the Persian village life. In this sense I was imbued with a human spirit, on the one hand of this simple village life that my mother grew up in, my grandmother certainly grew up under, and then of this household that I described on the other side, that of my father's.

I had some sense. But you know, at fourteen years - this is still a very early age - we were sent out to the American University of Beirut, to the prep (school). There we lived in dormitories, with Arab students, with Middle Eastern students, with some European students, but mostly

American, European and Arab teachers. They were excellent teachers; I have never forgotten them – who taught us English, who taught us English literature, who taught us mathematics. A course in Persian language, for the Persian group was also taught at the prep school in Beirut. That community was a sort of stepping stone to Europe and the US. I was moving away from Persia and being prepared to enter a European or American college.

The only time I came back to Persia was the summer I graduated from high school in Beirut and I stayed in Iran for a maximum two, two and a half months. During those two, two and a half months I spent a lot of time in Hamedan and Asad Abad, where our family villages were located. I visited these villages. I saw how people worked. I saw poverty. I got some notions about the relationship between landlords and tenants. In that sense I had a glance at and perhaps a vague feeling, if you wish, of the Persian village or the rural areas, once again.

At the end of that summer, I flew off to England. Never to return until something like eleven years later. These eleven years I went to English and American colleges. In England, I learned economics; I learned about Marx, I learned about Adam Smith.

In the United States I learned about American history. I learned the American culture. I became a part of an American family. I was influenced by the American mores and values. Above all, I began slowly, slowly to become versed in a new knowledge, a new approach to looking at realities. A new method of examining reality, which my science, namely economics, taught me and required of me. This way I was slowly, slowly formed in a milieu – which you must remember, when you talk about Stanford University at Palo Alto and compare it with the Tehran of that day or the Hamedan of that day, they were centuries apart.

I was trained in the techniques and a way of thinking that could only be taught to us at these universities. I looked at the world differently than I did when I was fourteen years old in Persia. I had a whole different value system at the end of the day when I received my Ph.D. My interests certainly had changed. Not that I'm saying that at the age of fourteen I had clear-cut interests in humanities or in sciences or anything of this sort; but I'm saying what was developed later on had a different basis than the one I had when I left Persia.

We were naturally enough enamored of the western ways, culture and civilization. We were naturally enough enamored of the western technology. We were naturally enough imbued with and accepted, and had become proficient, in the western mode of thinking – the western technology, the western science, the western history.

All this time, I had very little contact with Persia. I had little contact with Persian thought, except from occasional Persian friends who were going to school with me. We weren't really all that aware of what's going on in Persia. When Mossadegh, for example, came to power, to be sure, there was a sense of pride that welled up in us as students who were thousands of miles away from Iran, but we really didn't know what was going on. We would read newspapers about him, but there was a natural sense for us to want to defend him. Maybe it wasn't well founded, or deep enough.

Our information was not continuous from our own country. We didn't know the individual actors within our own country well enough. Who were the important actors? What was the role of these actors? What was affecting the masses in the country, even under Mossadegh? Or for that matter, what really the Shah was like. What did he believe in? What was the dominant philosophy in the country?

I remember, if you had asked me in those days about Iran, I would have said, "We don't have a philosophy. We're just existing without national plans and strategy. There is no organization. There is only corruption." These were our reactions regarding our own country and society.

So consider me then, after having been trained in these institutions. Not only trained, but having taught here for several years, the very subjects that I was trained in – institutions such as Brown, Harvard, and Princeton. It was then that I returned to Iran.

If I want to be very charitable, I'll say, "Look, I knew nothing else, except what was already in me, that I could impart to that society." What else could have come out from within me except what I had been taught, what I have been trained in? But that is the problem, if you examine it carefully, that most of what I was trained in, most of my thought was strange and alien to that society.

You see, all the theories we were taught dealt with realities and dealt with time and a location, dealt with an institutional content or cultural content, which was totally different than Persia, the new society I've now entered into. Now I've gone into that society to advise, to teach and to lead. Where would I lead this society? What advice would I give to this society except – and that was the most honest thing I could do – to propose the application of the type of values and ways of thinking that I had learned in Europe and the United States.

I remember that I didn't even stop to ask the question as to whether or not there is a conflict between what I think and what exists. I was certain what I was saying was right. I was certain that what I was saying should be listened to in my country, because after all, Iran had to become another United States or another European country, and to progress in that direction.

I would not stop to think of the conflicts. I would not stop to think of the alienation. I didn't want to. I had no time to consider those aspects. The idea was to superimpose these ways, these systems these thoughts, these theories on my own society as well to achieve what I thought would be a better society. But the model that we wanted to reach was this model, the American model, or the English model, or the French – in any case, a new and modern society.

When I look back, now, I begin to remember how alien I must have seemed to them and how alien my thoughts, were to them. I'm not yet making a judgment, by the way, about the value of the thoughts themselves. I'm simply saying in this relationship that I was bringing these alien, strange thoughts to them. Surely there was reaction.

Q. You should give some examples of these reactions.

A. I'm coming to them. I'm coming to this area of conflicts. For example, take the council of planning. To put it in perspective, let me say, during my heyday when I was very influential in government circles.

Q. This is when now?

A. These are the years, let's say, '58-'62 I'm talking about. When the power of a proposal coming out of my office was tremendous. It would have significant impact. This is the way it was. Some old men, who were then members of the High Plan Council of the Plan Organization, who knew my father and my family.

Q. Such as? Who were these people?

A. Mr. Nouri-Esfandiari, who was chairman. But I've been trying to think of others as well ... Mr. Sayyah, who used to be ... No, no, not Hamid, no, no. He was a general; he was not a ... He was Kazem Sayyah, who came in with Reza Shah, as a matter of fact, during the coup d'état. This was a tall, elderly man. He came to my house; I was a young fellow and this old gentleman sat (I'll never forget this), sat by me, next to our swimming pool there. He said, "Son, I've come to give you some advice." And I was extremely polite, of course, there was no doubt about that - I wasn't just a stupid young boy as such - and I would listen. He said, "Son, don't forget the things that are important in this country are not all these things that you are saying. There are other things which are important to this society and this country." I said, "Sir, please tell me. I'm genuinely interested to know what it is." He said, "Son, the first advice I give you is to make friends. The most important thing in this country is to make friends." He would continue with a number of phrases like that. For example, "Don't make waves," he would say. "Don't make waves. Make friends."

When I use the example of this old man, please remember there were many such old men, and when I use their example, I am trying to show their values as they were imparted to me - or what I call the institutional content or cultural content of the society that was strange to me and I was trying to understand them. This all didn't take place on one occasion, but I'm trying to illustrate for you what happened.

The types of things that came to me through these old men - and within the discussions sometimes, in group discussions - were what I have called the psychological fabric or the dominant psychology within the government, but also within the society. "Every dog must have his day." "Bide your time, and wait for your day." "Don't make waves". "Live and let live." "Everybody must eat at this "sofreh", at this table." Everybody must have a share of power in the government. The government was the property and its benefits should be properly shared among those who governed.

"And this shall pass" - if you had a problem, if you were concerned, if you were worried, you complained. "Don't worry, this will pass too." "But don't burn the bridges behind you." "Abide". "Make friends." "Remain in the fold." "No one knows what tomorrow will bring." "Unless you are in the game, you will never draw four aces." "Don't resign." "Don't stand on issues." "Don't identify yourself or associate yourself openly with issues." "Noon-e kesi ra

naborrid." "Bokhor-o-bokhoroun." "Don't cut anybody's sustenance." "Everyone must eat at this table." "They will never let you do it."

We wanted to build a bridge; we wanted to build a dam. They would say, "They won't let you do it." I never understood who 'they' were. But 'they' were a very important 'they'. 'They' were the whole history of Persia. 'They' were the British, 'they' were the Mongolians, 'they' were the Arabs, and 'they' were. Now of course I say these things. "Principles and rules are abstract and transitory." "Human relations are important." I heard these types of things and I can think of a hundred of them, to put them in these type of phrases, to illustrate the type ...

Q. These were coming from what type of men?

A. These were coming from the traditional, older men, usually, persons who probably liked and respected me, by the way, who came to advise me. They said, "Look, don't worry. Your time will come. You're bound to become a minister. You're bound to become prime minister." But look, don't forget; we were making noise, and we were changing things. We had no time. We were dynamic! We couldn't understand; we had no patience. We wanted efficiency; we talked about productivity. We talked about using procedures. We insisted on due process. These were our messages from what we had learned.

Logic. What logic? Friendship. "Don't fire the man." "Don't demote the man." If you translate into action, what this advice meant, at least as I conjured it up in my own mind, when I listened to them, I was reading something else into this. They were telling me, "No, don't demote anybody." I used to get mad at somebody, if he didn't produce the work on time. I was trained that way, I would demote him. "Don't fire anybody." The worst sin in Persia, in the Persian society, in the Persian Bureaucracy was to fire someone. Nobody heard of anybody being fired. I was firing.

Again, please remember, when I say "I", I am talking about five other, six other people that easily come to my mind who were doing the same thing. Ebtehaj was one of them.

"One shouldn't resign." That is, you don't take a stand. Never, nobody had heard about resignation in government. You are supposed to stay and enjoy it until circumstances are such that they kick you out. They kick you out or they get rid of you. "Don't stand on issues." "Don't engage in serious debates." Consultation only, in the final analysis, as you wanted to be accorded dignity – but not in a substantive way. You know, the man would come and say, "Sir, I want to consult with you." But this consultation, there was nothing to it." The consultation was that he wanted me to feel that he held me in great esteem. But what I said to him was not important or necessarily carried out or done.

Q. He had already made up his mind?

A. Absolutely. This didn't matter. The person was just smoothing his path to do the type of thing that should have been done or wanted to do and so forth.

"Appoint your friends." "Appoint your friends to jobs." "Appoint your relatives to jobs," nepotism, "to positions of power. This is your right. When you are given a turf that's yours. You could take care of your friends, you know." Yes, yes, of course, merit was important. If I talked about a brilliant character who had a Ph.D. from such and such university. "Yes, yes. But don't put him in a position of power". Lip service to merit, only. Protect the enclave.

This was just to give you a few examples of the major things that I was taught at that time and they were alien to me. You see now, you have two adversarial types of thought. Two conflicting cultures. On the one hand, the way I was trained. I was an ambassador of new thought, of a different thought. I'm not saying good or bad, please notice. On the other hand, I faced a situation where you have this type of thinking.

To give you some further examples. We talked about planning. What does planning involve? The basic thing in planning is first, observation of the reality around you. Second, logical recording of the reality around you. These are the steps. Third, logical filing of the information or the record of the reality or your observations, to make it retrievable and usable. Then you analyze the facts that you have observed. With the help of some overall goals, you begin to devise ways of reaching those goals. And the whole thing can be looked at in an analytical and scientific way.

The role of observation was small, very little. Everybody had a pet project. If you began to ask the simplest question about where, why – why the location of the steel mill should be here instead of there. A very simple question. They didn't have the most elementary knowledge about the why of it. They were lacking the knowledge. Look, after all it is important, in the case of steel mill, since we were taught we wanted to maximize efficiency, we wanted to maximize return, especially in a poor country. At the time, the savings, which were small and hard to come by, should have been invested very properly and not wasted on just guesses and projects, which would end up totally unproductive or serve as a permanent drain on the country.

They had no information. They had not collected the information. There were no records and files. It was in somebody's mind. The individual had gone there and said, "I know." Now how he knew, what he knew, was it a correct and relevant thing? When we said how, when we said why, they were hurt and took it as a personal insult. He was not to be questioned. After all, he was a senior man. After all, he was supposed to have experience. After all he demanded recognition and respect because of whatever background he perceived he had. So I ran into trouble in that sense. When I demanded a record, proof, and evidence – I did this in the most innocent fashion, I didn't do this to hurt the man; but it was thought unfair of me, improper of me to demand evidence.

Certainly when it came to analysis, we had lots of people who were engineers or as such and they understood engineering relationships; but when it came to cost and benefit, location theory, for example, which is important and relevant, there was abysmal ignorance. You've got to make estimates of things, you've got to say why you want to do this instead of that when your resources are limited, you've got to choose between investments, they had, of course, no information and when you asked for that, it didn't sit well with them.

Not that they didn't understand, very often they were capable of understanding. Please note that I'm not saying that they didn't understand. Because the questions threatened their very positions within the bureaucracy, as indeed they did. So many of them were fired, so many of them were set aside. The whole team, which was in charge of the steel mill, for example (as you will read in this thing I have written) was set aside ultimately by Ebtehaj. Simply because Ebtehaj suddenly found out as a result of our analysis that they had not addressed the right questions. The team never forgave me. I had no personal enmity towards any one of them. The whole question was, look, this is no way of doing things. Surely, when you change your *modus operandi*, you are changing the operators as well.

The application of planning, that is introduction of procedures, introduction of accountability also threatened the very positions of so many within the bureaucracy. Also it was alien. I searched high and low in the whole Ministry of Finance, for tax identity files for example, you couldn't find them or they wouldn't give them to you.

I remember there was an old man in the filing room and you went into this room. There were piles of gunnysacks full of files and if you spent a lifetime there, you couldn't organize them in any way useful. Of course, you would give this man some money and he would go and find the file from someplace for you and bring it to you. You see, this was his domain, he was protecting himself. But there was no question of public service spirit, to which I was used. I thought this was public property. I thought this should be properly organized. I thought that this should be retrievable by any minister or anybody who comes, especially if tax reforms were intended.

Not only the files there, but in the Plan Organization as well, which was one of the modern institutions in Iran. These were threats to the position of individuals. We were doing things that they hadn't done, that they didn't know how to do, or maybe they didn't want things to become even that clear and available.

Nobody would take issue with me openly. They would sit quietly, very politely and smile. And I was shocked. Why not a debate? Please show me I'm wrong. So often.

Q. Were these people your superiors or your?

A. They were often my seniors in age but not necessarily my superiors. They were my seniors, they were the experienced ones, and they were the ones who had grown up in this bureaucracy. They were the ones with thirty years of experience in this bureaucracy.

Q. What would this be? This would be ...

A. Plan Organization, or ministries, Plan Organization, in the high council. High council didn't have that much power, as such. The real conflicts were within the internal organization itself. But I want to come back to the basic point that I'm trying to illustrate.

Therefore, what I'm trying to say, when you want to institute procedures, that are impersonal procedures, you were doing something alien to them. Simply because impersonal procedures would not allow the latitude, the flexibility which was essential in that society to take care of

your friends, to take care of the enclave. Procedures may lead to demotions, procedures may lead to firing, and procedures were threats to the sustenance of individuals. You had to come at a certain time; you had to sign your card. There was a revolt when I suggested that people in the Plan Organization should sign when they come in and should sign when they leave.

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CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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NARRATOR: Khodadad Farmanfarmaian

DATE: December 14, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 7r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. Dr. Farmanfarmaian, if you agree, I suggest that we begin today's discussion with the events that led to your resignation from the Plan Organization and then we can continue from that. This was what, during Dr. Amini's cabinet?

A. After Ebtchaj was gone and Khosrow Hedayat became the managing director; but in his case he was also given the title of Minister of State in Charge of Plan Organization, which was a new practice since by law now the prime minister was in charge of the Plan Organization. Under Hedayat, the Plan Organization continued to operate a good two years in a calm and serene atmosphere and the third plan was prepared with a whole new concept. The third plan was totally different in nature than the second plan. I did talk about this earlier; but let me quickly review for you the differences.

The third plan was not to be just a partial list of projects as was the case of the first and second plan. The third plan was to be a comprehensive plan which would take into consideration, on the one side, all the resources of the country, and on the other side all the current government expenditures, to determine the size of the national saving or surplus available for the purposes of investment. And if that national saving was not sufficient to achieve the rate of growth we wished to achieve, then measures for mobilization of new savings, such as new taxes, or more borrowing from domestic and foreign sources would be recommended to supplement the required financial resources. If the financial resources still fell short of the required levels, then the growth goals were revised downward.

As it were, we did find out that the plan, in order to achieve a six percent rate of GNP growth, had a major deficit. And we began our efforts to borrow from abroad by attempting to create a consortium of international agencies and international leaders which would have included the World Bank [IBRD], U.S. AID, and European countries, to provide us with the resources to fill in the plan's gap. And we went on a mission trying to sell the plan, and to explain the plan and its content to the European governments, to the United States government, and the international financial institutions.

We knew that some of the figures in the plan were underestimated, such as the oil revenue, and over that I had all kinds of difficulties convincing the minister of finance that the expected oil revenues were larger than the Plan estimates.

Q. Who was the minister at the time?

A. Now I'm talking about the time that Behnia had already come in. This is now the beginning of Amini's government.

But another point in the third plan, which really is extremely important, is that for the first time we began to say that the ministries should have the responsibilities to carry out the projects under the plan, they would never learn how to do these things and their organizations would never develop the necessary capabilities unless they were given an opportunity. Therefore, we recommended in the third plan that execution of projects should be gradually transferred to the line ministries.

Q. Was this solely initiated from within the Plan Organization or was there pressure from the outside?

A. Solely initiated. Well, obviously there was tremendous pressure from outside. Obviously, ministers and members of the parliament were pressing for getting a share in the plan in terms of having responsibility within it. Naturally, the ministers didn't like it when Ebtehaj would turn around and say that, "You are not capable." They didn't like it and they considered themselves a minister of government, "responsible" to the parliament and as such, they wanted to have responsibility for their particular sectors. That is, the minister of roads wanted to do the transportation plan, to carry out the transportation projects relating to his sector. The minister of agriculture wanted to do his own job, etc. That was understood, their political ambitions in this sense were reasonable ambitions.

If it seemed unreasonable, it was because their departments were not adequately equipped for the job. Nobody had bothered to develop and to streamline, to bring new blood into the ministries and to develop the technical and economic know-how within them, thus to enable them to supervise or to implement these projects.

So we actually said that we ought to have a frontal approach to development and give all the line ministries responsibilities in the execution of the projects. Knowing that we were doing this, the big problem that came up was, if we have made the plan a comprehensive plan, that is there is no more a fixed amount of oil revenue assigned to Plan Organization by law and the revenues are therefore principally in the hand of ministry of finance, and if the projects' execution are going to the ministries, then the plan would be an empty shell. It would have no power whatsoever left to assure its integrity. And nobody in our country is interested in what is written in the document of the plan. The words of the document of the plan were useless, meaningless unless they could be enforced.

Then I began, and this was principally...

Q. Was this going to be a packaged deal or was this going to be in different parts? ...all going to be as one piece?

A. No. This whole thing came up when we were writing the law governing the third plan of Iran, the enabling act for a third plan of Iran.

Q. Everything was to be in there...

A. For the implementation we suggested the establishment of the high administrative council. And I remember recommending Mr. Gudarzi (as I said earlier) who was trained and was very good in administration, to Amini to become his assistant in charge of that organization, outside of the Plan. That was done, that was done very early in the game.

Next, I began to think in terms of the budget. I said to myself, budget has no meaning in terms of a philosophy and goals, the way it's being done. The heart of the budget must be the investment program of the country and not the current budget. Although the current budget is an important component of the national budget, its aim should be to serve the development of the country.

I had the notion that if the whole of the national budget was in the hands of the planners, they will be able to prepare and administer the national budget in a way to assure themselves that the third plan would be properly implemented. That, in fact, the planners would squeeze out of total national revenue, by being stringent in the allocations to current and defense expenditures and provide enough funds for the investment expenditures required under the plan.

Later, after I resigned, I wrote articles in the newspapers. These newspapers are available. And I wrote papers within the Plan. I established a committee and chaired it myself with Dr. Cyrus Samii in it, who had had a great deal of experience with budget analysis and preparation. We started to work on a law enabling the government to bring the budget from the ministry of finance into the Plan Organization.

Q. My question was, were these separate laws or was there one law which covered all these questions together, so that they could either be ...

A. That was our early hope and intent but actually, the third plan law does not refer to the budget. Later on a separate law provided for the transfer of the budget function to the Plan Organization.

Q. So you sort of gave it something that?

A. But we had had the prime minister's commitment, agreement. Well, when the law was ready to transfer the budget function, it was about three months before the fall of Dr. Amini. By then, Dr. Amini's political position had deteriorated and his government had become rather shaky; and

there were all kinds of speculation. The town was rife with rumors that the government is going to go. The Shah, who had presumably supported Dr. Amini earlier, had now withdrawn his support completely and there was a great deal of opposition in town against Dr. Amini. But we stood firm on his side.

And I took the penultimate draft of the budget law to Dr. Amini, to his office; and as I have already explained, he felt he could not take the law to the cabinet and consequently I resigned. Just to add a few words to my earlier statement, on this occasion I told Dr. Amini, "Sir, I will have, therefore, to resign my post. It isn't that it has anything to do with you, because I respect you," I remember this, saying it to him, "because you are a decent man, you are a good prime minister; but I cannot face my colleagues anymore, I cannot go back to that organization because I have staked my reputation on this matter." As excited as I was at the time about the subject, if he had only cautioned me about his difficulties to transfer the budget earlier, it probably would not have led to such a crisis. But now it was too late and I resigned.

Dr. Amini stood up looking extremely unhappy. Now, I saw this with my own eyes, tears had come to his eyes. I don't know, maybe I had become such a problem to him by then, that he didn't actually mind my resigning. This, even now I am not sure of. As it were, the situation unnecessarily became such a drama. And of course much noise was made by many about my resignation.

After he stood up he said, "All right. All right. Let's have another meeting on this matter and decide finally." In this meeting, Mr. Asfia was present; Mr. Pourhomayoun, the governor of the Central Bank was present. Samii, who had now become under secretary of the Ministry of Finance, had come to represent his ministry and not the new minister.

Q. Which Samii?

A. Dr. Cyrus Samii. Gudarzi was in the meeting; and Dr. Amini chaired the meeting. And he said, "Would you explain to us why you want to resign?" As if he needed some kind of witnesses, or as if it was my trial or something. I did explain my thoughts and the efforts on the unification of plan and budget functions and concluded that if the plan doesn't have the budget, the plan cannot keep its integrity and is a useless exercise.

I said the ministry people cannot do the budget, they're tax collectors and disbursement experts and do not understand the budget function in a developing economy. In fact, only planners can allocate, this is an allocating job. Now whether they are allocating for current expenditure or for investment expenditure, the job still can be done by the Plan Organization.

Nobody really gave me full support, except one man -- the now undersecretary of the ministry of finance -- supported me fully and that was Dr. Cyrus Samii. And that was very strange, because after all I knew the minister of finance did not support me; but Samii had the courage of his

conviction in spite of his new responsibilities. Nobody else supported me and the meeting was adjourned.

So my resignation was final and I left the Plan Organization. Asfia came to my house, asked me to reconsider. Jamshid Amuzgar also came and asked me to return to the Plan Organization.

Q. Why Jamshid Amuzgar?

A. Jamshid was sent because of the problem of Jahangir, I suppose. And Jahangir didn't want to be singled out as the main cause for my resignation. I remained adamant and did not return. Mr. Ala, however, insisted that I should go to the Shah, at that time, to explain to him why I had resigned. I absolutely refused. And Mr. Ala, who was like my own father to me always, was extremely disappointed that I wouldn't. I said, "As long as Dr. Amini is in office, I will not go to the Shah, because it will then take the form of my going behind the back of the prime minister to complain to the Shah about what the prime minister has done to me." I said I will not do that. However, shortly after, Dr. Amini resigned and left office, which wasn't long after my departure, it was about three months, two and a half months; I went to the Shah.

I also told the Shah, "Your Majesty, if I didn't come to see you, it was because I didn't want people to feel that I had a complaint against Dr. Amini, that I was complaining to Your Majesty against your prime minister." I felt it was a very improper thing to do. I figured the prime minister [was] perfectly capable of telling the Shah what happened. And after all, I was working for the prime minister, I wasn't working, as such, for the Shah. I was a secondary officer, I was at the time just the undersecretary or the second in command in the Plan Organization. I wasn't a minister, I wasn't at the top level to go to the Shah to air my differences with the prime minister.

Q. What did the Shah say? Did he understand the principle upon which you were...

A. I remember... Well, I don't think the Shah was all that excited about the whole concept of budget going to the Plan Organization. I did explain all of these things to the Shah and told him my reasons.

Q. What was his reaction?

A. I remember he turned, as he was walking, and said, "Well, I've always thought you were a man of principle and I admire people of principle." These are his words. In the light of later things, I never believed this. But this was his statement at the time, whether this came from his heart or they were just empty words, I'm not certain. I wish I could judge that. My own inclination is to say that he was just being nice to me, that's all. He just said that. I don't think he was about to bring about such reforms because I was suggesting them, not unless he felt there was a strong backing for the proposal within the government.

Q. Had you come to know him fairly well by this time?

A. Oh yes.. By that time I had known the Shah, had been to him many times, had reported to him many times, I'd argued with him many times, so...

Q. So, this may not be a bad place to draw a sketch of him as you saw him in 1962.

A. I will because there's another instance which relates to this sketching, which I'll go back to.

Well, let me end this story. I went out into the street. I wrote the booklet that I've given you, called "Formation...", what is it called? "The Formation... (I can't read), "The Formation and..."

Q. "Report on the Formation and Development of the Economic Bureau, 1336-1342," submitted to the Ford Foundation by Khodadad Farmanfarmaian.

A. The Ford Foundation hired me as a consultant to write my own experiences in the Economic Bureau. They had invested a great deal of money in the Economic Bureau, nearly, over a million dollars to provide economic expertise and advice to the Plan Organization of Iran; and they wanted to know what happened to the money, was it useful, what was my view of this effort. And I agreed to do it -- after all, I was unemployed and had nothing better to do. I don't need to go into it.

I did that. I also wrote several articles at that time, especially in Kayhan International, whole pages of articles regarding these reforms that I'm referring to. It was a very interesting article. But what is interesting is how free the press was, because I was attacking the whole of the government. You know, we talk about repression of the press. Things were being published freely in those days.

Going back to a little earlier period, referring to the consortium that I said we wanted to set up to finance the third plan; this took us abroad many times. Also, negotiation of loans took us abroad many times, because the Plan Organization, the Economic Bureau was in charge of this.

But I went on a very special trip to convince the American government to provide budgetary aid to Dr. Amini, at the time of Kennedy. And budgetary aid was not anymore the policy of Kennedy and they were trying to wipe out this budgetary aid business for simply helping the developing countries. They wanted to give only money for projects.

A. Under Public Law 480, for other sorts of help, such as supporting schools, but directly and individually, on the merits of each case. However, Dr. Amini's biggest problem was a general budget deficit. And we wanted to see what we can do by way of getting aid. Of course, I was arguing that money is fungible, that is, money's not stamped as money which is being used for development or military or current purposes -- it doesn't matter how you allocate it. It's money. We can shift around our own money to be used for current expenses and the money we got from the United States for the purposes of development. The only difference was money for budget support did not carry the terms and conditions of a loan and it could have been a grant-in-aid and as such would not require parliamentary approval.

The guarantee to ask, or the basic question was whether or not the Plan projects were carried out. And that was what I was after. That is what I was pressing for. It wasn't a question of whether the money was called budget aid or not.

Anyway, I went strongly briefed. I had one of the best negotiation briefs prepared by Dr. Abadian, who came with me also to Washington. And I remember in the office of Secretary of State Rusk, this meeting took place where I defended the government position. There must have been about thirty-three, thirty-four people the meeting.. Rusk came in, said hello to me. He didn't stay for the length of the meeting, but all of his undersecretaries: people from the treasury, people from the Pentagon, people from the World Bank, people from I.M.F.; this whole room was filled. And I made my presentation to them. Made my arguments as strongly as possible.

Oh, people from the budget bureau also who knew me, because they used to be working with me; the head of the budget bureau of Kennedy and his deputy were close friends of mine. Anyway, they're asking many questions, not only relating to economics, but relating to Dr. Amini's government, relating to the politics in Iran, relating to the National Front -- which at that time was beginning to have a sort of younger group, you may remember, Hossein Mahdavi, Fereidoun Mahdavi, and Cyrus Ghani had something to do with it. These were all my own friends, I knew them so well.

They asked me about the National Front, what I thought about the National Front. And honestly, I told them exactly what I thought. I said to them, "The National Front, as such, does not exist as a party. The National Front is fragmented groups or just individuals, who if they have time and a chance to develop, they may one day become a significant political party in my country. And I also answered questions regarding trade policy, development policy, regarding the third plan, went into detail about the third plan. The whole meeting took some two hours. This was really a very significant meeting on Iran.

After that, we were given considerable amount of aid, by the way, budget support. Told that this is the end, there will be no more given. So I came back quite happily to Dr. Amini saying that we have all of this. And Asfia, who was...

Q. Was the ambassador at this meeting?

A. Ardeshir Zahedi? No, no.

Q. Anybody from the embassy at this meeting?

A. No. No, nobody. I was the only Iranian. I think Ardeshir purposefully left Washington when I came in with independent instructions from the prime minister.

Q. But normally someone...

A. He told me later on, I asked him, he said some business to go to San Francisco. He wouldn't, of course, tell me that. I don't know, maybe he didn't want to make my mission sound big. It was, anyway, a very important mission.

Q. But normally someone from the embassy always attended these meetings.

A. Nobody followed me, nobody asked me and nobody came. That's the interesting part.

Q. Am I right that normally someone from the embassy should have come?

A. Always, always. But in this meeting there was nobody. What was funny though, now that you raised this...when I returned, Asfia and I went to the Shah and Amini had apparently urged this...

Q. Encouraged this.

A. Maybe Amini for one reason wanted me to go and report, and that was the fact that we were successful in getting aid, wanted the Shah to know, feel better about the situation. And I so did and he did feel better. But while I was talking to the Shah, he said, what other questions did they ask you? And I, as always, being the straight-shooter, I simply said, "Sir, they asked me about the National Front." He suddenly turned and was very tense. He said, "What did they ask you about the National Front?" I said, "Sir, they asked me whether or not they were strong enough." He said "What did you say?" I said, "No they are not strong enough. They do not exist as a party. These are fragments and individuals. However (and this is the part he didn't like to hear at all), if they are given a chance to develop, they can become a strong party." I had never seen the Shah like this; he turned white, completely white. And of course, Asfia was sitting with his head down, not saying one word throughout the whole meeting; but this was his usual way in such meetings. So now, when we go back to think...

Q. Did you realize what you were doing, I mean when you said that?

A. I didn't. I was just so straight. Only later on I realized what I had done. Much later on I realized what I had done. But still it shows the atmosphere. Still it shows that an officer of the government could have honestly told the Shah what he thought of. He didn't kick me out. I don't know what he told Dr. Amini afterwards, regarding this conversation. Maybe he thought I was just a naive, young officer who didn't know beans about Iranian politics and said this type of thing to Americans, you know, to whom he was deeply sensitive. I wasn't. I didn't care. I mean I just told them what I felt about my country, and I told the Shah exactly the same thing. There was nothing hidden in between and I spoke my feelings.

Now that I look back, it may have been this incident that made him later say, "you are a man of principles." Maybe he had this in mind. Also, I would suspect that certainly the desk people at the state department must have given the story to the ambassador, to Ardeshir Zahedi, without a doubt. And that Ardeshir would have cabled it. Now, I think about these things only now.

Q. So the Shah already knew what he was asking.

A. Whether they had stressed this particular aspect, I don't know. I haven't seen these reports. They are in the archives. I can go and check the archives. One day, one ought to go and get this information, and find out what the hell was going on during this period. I will. If I ever write about this period, as I plan to, I'm going to go and get all this business. Because, someplace it has to be shown... I want to find out what the Americans thought of me. Because from those archives, it will be quite known and clear. They used to call us the "American chickens" or the "American boys" or this type of thing.

I can speak until I'm blue in the face to defend myself that I was never an "American boy," I was always a Persian boy in the full sense of the word. Young I was, boy I may have been, but American I never was. You see, I WILL pull out, one day, all of these archives and I have a right to them. But I want to wait. I'll do that in good time as I organize myself, so I can use them properly.

By the way, the day I resigned, I remember an officer of the embassy telephoning me in a big hurry. Said, "Please, may I come and see you." I'll give you the name, his name was John Walsh, who later became ambassador to Kuwait, as a matter of fact. I said of course. He said, "May I bring someone?" I said whom? He said Morrie Williams. Morrie Williams was the head of the Point Four [program] (by then had become AID, I think), who is now a very important man who represents U.S. in the Food and Agriculture Organization in Rome, to which Americans give considerable support for hunger, to support nutrition programs throughout the world.

These two came and sat across from me, started questioning me about why I had resigned. I said to them, "What's your business." They said, "Sir, it's very important for us, because you've been presenting the case of Iran in Washington on these matters and you have said so many things. We want to know whether or not your resignation relates to those matters and the question is if those things that you have committed yourself to as the representative of the prime minister (and I was the bona fide, accredited representative of the prime minister of Iran when I was talking about these things in Washington), we want to know whether or not these matters are going well, and so on." Well, I talked about the budget again, you know. I talked about my fears about the plan and left it at that.

Q. Did you feel that they could influence the Shah to accept this idea of budgetary control by the Plan Organization?

A. The Americans?. Don't forget, I had to convince the American advisors, who were against it - this is interesting, again, what I want to tell you. I never felt that, for example, Ed Mason at Harvard, who had come at this time and talked to me, I never felt Ed Mason supported the idea. I argued with Ed, I sat down for hours trying to convince Ed. And nobody could argue with me, because I was so well prepared, you know. I made it a business to be prepared on the argument of why the budget should come to the Plan Organization.

As it were, you know, it was a successful effort because the next government following Alam, that is after Amini, Hassan Ali Mansour's government used my very concept as a reform concept and actually transferred the budget from ministry of finance to the Plan Organization. And so it happened. And the force of an idea is so important, you know, the idea remained alive. They couldn't kill the idea. And finally it happened. It then became the Plan and Budget Organization of Iran, as you are fully aware.

Anyway, I walked the streets for nearly a year. Samii, I remember, at that time was co-managing director of the Industrial Mining Development Bank of Iran...

Q. This is Mehdi Samii?

A. Yes, Mehdi Samii, and asked me if I would help him with a conference that had to do with economics and projects and banking. And I accepted to be sort of chief of staff for him on that. And I had no work in those days and that helped me, kept my mind busy on these matters. We used to prepare... I remember I used to sit down there, write articles for people, or speeches for people to give before the conference. It was all in English, mind you. And after a short while, Alam asked Samii to become the governor of the Central Bank of Iran.

Q. Before we get to that part of your career, could we not go back and ask you to sketch your impressions of the Shah as a monarch, as a ruler, as a manager, as a person?

A. You want it done to this point, or would you not...

Q. I think it would be interesting to compare what you felt at this point, the way you saw it. And then we can again ask you to do this when we get to 1974 [?], and then perhaps compare. Now at this point, your impressions...

A. At this time, I felt the Shah was the greatest refuge I had. I felt the Shah was the ultimate hope. I felt the Shah capable of understanding what we young reformists were saying. Far more than anybody else. Even at times I felt, although I could have been wrong, that he understood even better than Dr. Amini what we were talking about.

The only major point that, in my heart, separated me from the Shah during this period, the only thing in my heart was his preoccupation with the military. We hated militarism. We did, this is the truth. And when I say we, it is this group of reformers. We didn't believe Iran should be spending so much money on military. And we made our position clear on this. Cyrus Samii, Moghadam, and I signed an open letter to the Shah. We went that far, representing this group, so to speak, presuming to represent this group. Signed a letter to the Shah saying that, "Your Majesty, what is important is a sound economy, an army cannot be built on the basis of a crisis-ridden, underdeveloped economy."

Q. Was this published anywhere?

A. It was an open letter. Now, obviously it couldn't get published in newspapers. We just sent it directly to the minister of court. We had a copy of this. I don't know whether a copy exists in these archives. That's what I am trying to search for. So far, all the archives I've looked in, I haven't found it. What happened.

But it wasn't important. It was another letter to us. What is significant, we didn't do this in those times as a matter of keeping our historical records straight, or showing our political position, no. We did it because we believed in it and thought we could convince the Shah.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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NARRATOR: Khodadad Farmanfarmaian

DATE: December 17, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 8r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. At what point in the last tape -- and unfortunately the microphone was cut off -- you were describing your impressions of the Shah and were drawing a sketch of His Majesty. I would like to ask you to continue that.

A. Well, as I was saying, this open letter that we wrote, asking the Shah to stop or to control heavy military expenditure -- and urged him that he should first turn his attention to the economy and development of the economy, on the logical grounds that, after all, a strong army could only be built on the back of a strong economy, of a healthy economy -- was not a political act as such. We didn't want to make just useless noises to distinguish ourselves as a sort of liberal or reformist group, as such; but rather (as I was saying earlier), it was a genuine concern on our part and we felt he was the only refuge we had and that he, in fact, would understand what we wrote in that letter.

We knew it was useless to write to others. We had already told the prime minister, we had already argued with the prime minister. And I suspect that the prime minister, Dr. Amini, was wholeheartedly at least in principle, in agreement with us; but he knew the difficulties in trying to cut the army budget. By the way, one of the main issues (as I heard much later) that made Amini resign was this very argument, the whole question of the budget, the whole question of the military budget.

Q. This optimism that you had about the Shah, was just wishful thinking or had you actually seen signs and indications?

A. Not necessarily, as I say, as I explained, during all these discussions in the earlier years, we felt him to be a very modern man. We honestly felt him to be a liberal. At least I did.

Q. But what I'm asking you, did you actually see indications of it or was it something you were wishing?

A. Yes, during private meetings, he would complain, "Look," for example, "the minister of agriculture" at that time an elderly general, "he's not capable of understanding what we are saying," referring to some of the principles and policies we wanted to push through in the Plan Organization.

Q. The Shah would say this?

A. The Shah would say this to us. Or to me at least. I had heard him personally on these matters. The Shah would show us great favor in receiving us, listening to our arguments. And to me that was an important indication, he didn't have to do that. So we naturally came to the conclusion that he believed in some of these matters, that he thought that the country needed all these reforms. Oh, I have no doubt that he did think that the country needed these reforms. Whether or not he was truly an abiding liberal, well, at that time is something I cannot be all that certain about.

But what is important is our perception of him and how he had, in fact, caused this perception within our mind to be created. His image, this image that I'm referring to was not all that much marred until much later, when we saw him behaving totally differently. I still maintain that had he continued even on those grounds, allowing some debate on this issue of military allocation (or as between military allocations and allocations for other purposes within the total budget of the country, within the development budget as well), perhaps he would again come through as a reformer and his image would not have been so badly marred among us liberals or among us reformers.

Q. Could you give a few examples of some of the meetings with him?

A. As I'm talking I'm trying to remember. One was certainly the fact that we would dare to write such a letter. It was just that open. Secondly, as I said earlier, when I resigned, Ala insisted that I should go and talk to the Shah. Ala implying that he was just the right man to talk to, that he would listen, that he would understand. That old man, after all, had been with him for so many years, had been his prime minister so many times, had been his minister of court so many years; and I thought if he felt that, there must be something to this.

Q. So he was reaffirming your own impression.

A. Yes, of course. Later on, again I was told that maybe Ala did this simply because he had been totally disenchanted by Amini's government at the end. That he wanted to encourage me to go and talk to the Shah about Amini, something which I absolutely refused to do -- until (as I said earlier) Amini's government fell and then I went to the Shah. But even then when I went to the Shah, I remember so distinctly, he asked me, "Why didn't you come to me earlier?" I said, "Sir, it would have seemed that I'm complaining about the prime minister. This was not proper of me. Furthermore, I had no complaint about the prime minister." To which he said, "I have always admired men of principle." Right or wrong, I was a young man and that statement coming from the crown to me meant something and left that impression on me that he was indeed a genuine person. That he understood this younger group. I have very little doubt in my mind and in my heart that he genuinely wanted the support of this younger group. That I have no doubt about. He considered the genuine support of the younger group as very important to his politics. This I'm certain about, this from all the indications that existed.

How he balanced this against other types of supports and against other types of consideration is a different story, which remains to be seen as we watched him change and grow in the following twenty years of his reign. But in those early days, I'm convinced he was a different man and he was not that arbitrary about things. He would not just simply pronounce, this again I'd seen in every meeting I had with him.

Q. Well, could you give an example of a couple of those occasions?

A. Yes, I'm trying to remember, you know memory, memories are a terrible thing -- of these occasions. As I said, we had detailed discussions. He would side with us on questions, on specific questions as against, let's say, the ministry of finance.

Q. There was one meeting, you had mentioned before, that he had walked out of a cabinet meeting or high-level...

A. Sharif-Emami was prime minister, this is of course before Dr. Amini. In that meeting, there was just a very difficult discussion between the Plan Organization, which I represented. Hedayat was the minister, Hedayat was sitting there quietly. The whole cabinet was there. General Zargham was the minister of finance. And the whole argument was over whether or not we should fill in the gap of the plan by borrowing more from the international bank.

Zargham, in the classic tradition, had taken the position against borrowing. And that's another interesting matter, that he would say, that he would not support borrowing. Right there before His Majesty, he would say that. At which time I remember Hedayat coming in with his master stroke, saying if the minister agrees, as he has, that these plans should go forward, and if the minister says we should not borrow, then presumably the minister has certain financial resources that can be put at the disposal of the Plan Organization. And immediately, Zargham was caught in this trap and said, "Yes, of course I do." To which the Shah said, "Can you give..." I remember it was a hundred eighty million tomans at that time, or something of this magnitude. Zargham said, "Of course I can give a hundred eighty million tomans." And Hedayat said, "We need it immediately." He said, "Tomorrow morning I will give a hundred eighty million tomans."

This was one of the problems. And again it followed up at the same meeting. I remember discussions relating to a stabilization program and it had to do with controlling prices and the total current expenditures of the government. I raised the point, or the point was raised (I don't remember) that the current budget should be cut by so much. And Zargham suddenly would turn about and say, "Sir, I'm sick and tired, every time I say anything, Farmanfarmaian says the width of the ministry multiplied by the length of the Plan Organization, divided by the pi is equal to inflation." At which everybody would laugh, you know. But then again, I wouldn't let him alone. I'd say, "you cannot dismiss the question of prices. You cannot dismiss the question of foreign exchange. If you give the Plan the revenues from domestic resources, where do you find the foreign exchange component?"

We would pull the whole cabinet into such hard discussions; which, by the way, before that would never take place. I mean, before that period, the nature of the discussions on economics

would never reach this sort of analytical level. And the discussion would continue and there would be exchanges, sometimes harsh.

Anyway, I don't remember what was the point at which the Shah sort of got sick and tired of the whole thing. Of the fact that there was no agreement among the cabinet. You must remember one of the sad aspects of these discussions was that there were no position papers prepared earlier for cabinet members. The papers, if there were any, were not read properly to the High Economic Council for discussion, so most cabinet members were familiar with the contents of the discussions. We usually wrote and submitted our papers to the Prime Minister. We were used to writing papers and tabling papers. But those who read them and understood them were few.

Anyway, we had one thing on our side, that when Sharif-Emami came in, he was instructed to see to it that the stabilization program was carried out, because the country faced severe inflation and foreign exchange shortage. And we wanted to draw our first tranche from IMF. These were the type of discussions, as I remember vaguely, that took place during that meeting.

Finally, the Shah threw down his pencil, like this, got up and left the room. Anyway, we thought that was the end of that cabinet. I stood right there at the door, everybody stood up and the Shah left. And I was waiting either for Sharif-Emami to come and say, you are fired or to come and say, the cabinet has resigned, or something to this effect. But Sharif-Emami walked back and said precisely this message to me, that, "The Shah asked me to tell you he is not in the slightest unhappy with your presentation or irritated by your arguments." And he said this so loud so others would hear it. At which point we walked out and nothing happened at that time to the cabinet. Of course, the cabinet of Sharif-Emami didn't last very long, you may remember; Amini came in shortly after.

Anyway, to go back to the character. This was the beginning of the period when this man still was torn, in my judgment, between his democratic principles, between his democratic background, and the pressures that were upon him to arbitrate by himself, make decisions by himself and become the final arbitrator. He wasn't that much of a willing prey. He was sort of a Hamlet at that time. Still a sort of a Hamlet. He was still a sort of a Shah before the Mossadegh period. It wasn't that many years after. His power had been consolidated, he had developed confidence, to be sure; but he still looked for good advice before making decisions.

But those were also bleak days that concerned him deeply. These were the days that he had distributed his own land, he had been already under pressure by the Eisenhower administration to bring about land reform. He was under pressure to start land reform. And remind me to talk about the land reform question and the events leading to land reform, which is extremely interesting.

Others may judge him differently, others may have notes and comments; after all, had he not got rid of Ebtehaj? But you know, I remember even in connection with Ebtehaj, I was amazed at the length and the extent to which he went to keep Ebtehaj in office in the face of the tremendous opposition in the parliament and in the government. I think he did rather well. And Ebtehaj a

difficult and uncompromising person. He just would not go any other way, except the way he had decided was the correct way. And it was so difficult for the Shah, yet he stood by Ebtehaj for a long time.

I was told at that point of time General Zahedi even sent a tank to the Plan Organization to get Ebtehaj to do what he wanted or kick him out, or arrest him, or do something. And a phone call to the Shah by Ebtehaj immediately stopped the whole thing.

So this man during this period, going by my memory -- and please note all my disclaimers, and I'm not being in any way dogmatic about this, he was not yet "the megalomaniac" that later on they referred to him. He wasn't yet the type of person who would refuse to accept advice and allow debate on issues. He still listened to a great deal of advice. He still would listen to opposing advice. He still would allow a form of democratic discussion in his presence. Which was all to the good, in my judgment. It wasn't important if he sided with, let's say, our group or our thought. The fact that he allowed the discussion of the type of issues we raised, as such, was far more significant -- whether he sided with us or the ministry of finance, who was always at the opposing end of the discussion when the Plan Organization or planning or development was being discussed, in itself was not important. The important thing was that he gave proper hearing to significant issues. In the early days he did that.

So, I feel that this is a very, very important period. I begin to see a divergence from this time onward; after Amini, certainly. And don't forget, until the end of Amini, he would have selected prime ministers who were rather well-known political figures in the country. Often the type of prime ministers who could in private take issue with him on many subjects. After that he begins to select the type of prime ministers who could not, did not have the background to take a stand before him. This is another significant departure that you begin to notice about the Shah after Amini.

Q. In later years, as you remember, there were a number of occasions he was heard to ridicule economists. When did this begin? Was it this period?

A. This came much later. This came much later. This came with Hoveida's period.

Q. I mean, it almost sounds as if he was referring to this period we're talking about, that "in those days I listened to economists, and we were not pleased with the results, but now that we're not listening to them, things are much better." Was there any reference to the Economic Bureau in your mind? Or to other economists of that period?

A. No doubt. I mean, there were no other economists as the term is understood except, as I told you, this group of the Economic Bureau in the Plan Organization. Economists were rather rare animals. They were just new ones and they had brought these new ideas and he was subjected to economic lectures, obviously enough.

Q. What was it about these economists whom he resented or he came to, at least, express a resentment about?

A. Well. Maybe because Dr. Amini was always called an economist, also, and the Shah's opposition to Amini was extended to economists as such. And because Dr. Amini also was very serious in listening to the economists' advice. The only prime minister, the only prime minister I really remember who seriously listened to our advice and analysis, and spent hours in the High Economic Council, which during his time, by the way, was not meeting before the Shah anymore, was Dr. Amini.

Q. Is that right?

A. Oh, yes. That's very interesting. For hours, we would sit with Dr. Amini and discuss these matters. With his minister of finance present, with his minister of agriculture present, and so on and so forth. And Dr. Amini had a far better understanding of economic matters than any other elder statesmen that I knew in the country. Probably..

And Dr. Amini then would go and summarize our discussions for the Shah. He had this system -- I think a better system, far better system -- where he would protect the Shah in that sense, separate the Shah from the mundane, long and sometimes polemical discussions. In a way he kept the Shah above all that. And he was prime minister, he was responsible to the Majles, so he would listen to our arguments, listen to the argument of his own minister of finance, go to the Shah -- this was the process he was following -- go to the Shah and give his own conclusions (without necessarily referring to the individual's position) and come back with a policy based on consultation with the Shah and then take a stand on a given policy. Dr. Amini, for example, stood very strongly for the stabilization program after going through this process and accepting full responsibility for it against massive political opposition, without involving the Shah publicly.

He reminds me of Thatcher. To a great extent, Dr. Amini reminds me of Mrs. Thatcher. He took a stand and stood on the stabilization program. Which was the most difficult medicine, the most bitter medicine to swallow in that whole period. After all, he did have to pair off the budget, after all he did have to put control on foreign exchange expenditure and in effect devalue the rial. We did have to have very stringent regulations of trade, in order to be able to use foreign exchange proceeds of the first and the second tranche of our IMF quota before using the standby and the last tranche. I don't believe we ever used the fourth, because the stabilization program was implemented so effectively under Dr. Amini.

Anyway, in that sense, I think when the Shah later on refers to economists, he must have had in his mind Dr. Amini as well as us, of course. There was no doubt. And later on, later on, long after Amini, he would say the same thing. When we were in the position...

Q. What was it about economists? What was it about you economists which made him say this, made him susceptible to this?

A. The same thing that after all had seeped through the western press about the economists. All the classic jokes about the economists: the economist was always preaching control; was always the prophet of doom and preachers, of the dismal science, if you wish. The economist always

warned watch out, be careful, prices will go up; or watch out, there won't be any foreign exchange reserve; watch out, your taxes are not sufficient, they're not being properly collected. That in order to develop, you must first mobilize domestic resources and introduce reforms in accounting systems, disbursement practices and tax and budget administration, before you expect people from abroad to give you money.

Somehow perhaps, the thought that requires a great deal of national discipline that at first, you tightened your own belt, first you make your own effort, before you turn abroad to get aid from others was not easily palatable. Somehow they thought that things will happen without our own effort and sacrifice. They didn't follow through. How things will happen; where the resources were coming from for things to happen; how could you have high spending for all, military, education, agriculture, etc. at the same time, without taking measures to mobilize significant parts of the funds needed at home and trying to put your house in order before expecting to borrow from abroad. Obviously, these are types of things that are not very pleasant for any government.

The second thing is that the science of economics, of course you know, is not an exact science. I always said and I always wrote this, that the greatest reward of the economist is that his predictions won't come out right. In other words, when we talked about prices going to rise, balance of payment going to have deficits, if they had taken the proper policies, naturally enough our prediction would not have come out right. But as it was, frequently they did come out right, unfortunately, since often the ameliorative measures were not implemented.

So, the inexactness of the science, becomes all the more poignant especially in a country like Iran where statistics were poor and everyone manufactured his own statistics for the purposes at hand. The Ministry of Finance had its own "statistics," the Ministry of Industries and Mines had another set, the Central Bank and the Plan Organization still another and so on. There was no long-term tradition of impartial collection and publication of statistical information which would be acceptable to all. This was very true in the earlier years but later the situation improved to some extent.

And the cynicism of Persians, also. This is another factor which you must take into consideration. This whole question, as soon as they see a powerful argument, if they don't have an opposite and equal argument against it, they'd begin to ridicule the argument. They engaged in polemics, you see, instead of saying all right, this argument stands. But this is in our national character also, this cynicism. When in an argument we see that we don't have a good ground to stand on, we immediately shift into poetry and into reference to the imponderables in order to protect our own ego, our own personal position and dignity. This is a national habit.

Q. Could I now ask you to sort of switch to the status and the position of the so-called second National Front that was developing. And if we could begin this by asking you to talk about, as an example of one of the sort of the young leaders of this National Front, if you could talk about your friend, Hossein Mahdavi -- your memories of him, his background, and how he sort of began to choose a road which was somewhat different from your own, and how you viewed that at the time.

A. Well, during this period, as I explained, there was a great deal of instability; the shah wasn't on a very strong footing because of the economic problems; the whole question of land reform coming up; the sense that he should allow a bit more elbowroom in public political activities; but more important, I think, the very role of Dr. Amini, both in fighting the elections of Eghbal in the first parliament and then questioning him in the second parliament and ultimately closing the parliament that Sharif-Emami elected; Dr. Amini outside of government arguing that there must be greater freedom for election, that the election should be properly conducted to truly represent the people. Because of all this, the National Front began to gather strength.

A group of young people -- there was Fercidoun Mahdavi, who at that time had a far more important role than Hossein, as a matter of fact; there was Hossein, of course, Hossein Mahdavi; a whole lot of people in Tehran University; a whole lot of people in "Moaaseseh-e Tahghighat-e Ejtemaii", which was the social research center in which I was teaching at that time, by the way, and the titular head of which was Dr. Sadighi, who was, if you remember, the minister of the interior of Dr. Mossadegh.

They began to collect, they began to organize, they began to have dorehs, they began to talk about politics and economics, they began to talk about land reform. By the way, at this time Hossein wrote a nice paper on land reform (which I recently read again), of some of his own villages in Zanjan, and the problems of land reform; and you'd you be surprised how conservative he was on this question at that time.

Anyway, I like to talk about Hossein Mahdavi, because he is so representative, in my judgment, of certainly the youth within this National Front group. I like to talk about him because he has been my friend. I like to talk about him because he worked with me for years in the Economic Bureau as one of the bright people of the Economic Bureau. I like to talk about him because he was principled and he stood his ground for a long, long time. And yet to me he is the representative of the tragedy of this group which we call the National Front.

He came from a very good family background, as you know. Just like a lot of these people who came from very good family. Hossein had gone to Oxford, had finished Oxford. He had then gone to France and received his doctoral degree, which wasn't much by the way-- that was one of those regular doctorates (Docteur d'Universite) that they gave in France, which I would not have even equated to an M.A., generally speaking -- but in his case he was a very serious sort. He joined the Economic Bureau, and was assigned to the industry section, and he did an excellent paper on the proposed steel plant, which was one of the biggest problems we had in that whole early period during Ebtehaj. He showed a great mastery in handling and writing reports. He would present arguments extremely well. He would marshal evidence well. He had all the attributes of becoming a first-class administrator and a statesman and I perceived him as an ultimate Managing Director of the Plan Organization. That is the way I regarded him in those days. Then somehow (I don't remember the circumstances well), Hossein pressed me to be sent for one year to study abroad and I sent him to Princeton.

Q. Why did he want to go back so soon? He was already well educated.

A. He had never been educated in America and didn't know America. Probably that was the main reason, he wanted to come to America.

Q. Does that mean he was becoming disenchanted?

A. I had no idea at that time. Later on when he returned, no doubt there was clear evidence of this. But at that early period, Hossein goes off and we had this program financed by the Ford Foundation for Economic Bureau candidates and he was given a grant to go to Princeton and he spent a year at Princeton studying the history of Iran, economics, you know, a mixture of things. And he came back.

Apparently, on the way back he came through India and he was taken ill with a terrible disease. I believe it was called Malay fever or Malta fever. It was a bad disease and he was laid up in India for nearly three months or so.

When he arrived in Tehran, I noticed Hossein being a totally different person than the one who had left earlier. He was totally disenchanted with whatever was going on around him. He would not be as active; although I remember he pressed me, he pressed me to become my assistant, because there was an occasion for me to appoint an assistant which is above the section head. Before he had become a section head, I appointed him as my assistant. I did. I believed in him, I liked him but everybody was against it, dead against it. The Iranians as well as the foreign advisors. They were all against it. Well, I appointed him, just the same. Because I had some kind of a deep belief in him.

Then Hossein, shortly after, resigned -- if I'm not mistaken -- from the Economic Bureau and came to the United States to pursue his studies to get an American PhD, to get a Ph.D. at Harvard. And came to Littauer Center for government. By that time he had already met Dean Edward Mason and I wrote for him a letter to Ed and recommended him very strongly. He came to Harvard, began his work and at the same time engaged in student political activities, all on behalf of the National Front, among students in the United States.

I remember, in those years -- he had been at Harvard for some time, and -- I had become the Deputy Governor of the Central Bank and Prime Minister Hoveida had sent me to make a survey of students, Iranian students abroad and their various fields of studies, expertise and talents and recruit them for immediate or ultimate work in the government agencies, because they were much needed and we were worried about "brain drain" and wished to prevent and reverse it.

So, I went on that mission and among many other universities, I also visited Harvard. And I called up Hossein and I said, "I want to see you." And Hossein was in a meeting when I called and talked to me in the most impersonal fashion and said, "Sorry, you must understand, I cannot see you because you are a member of the government." I told him, "Hossein Joon, I do understand. You have every right, but I just wanted to see you privately as a friend, not as a member of the government." I couldn't see him. I didn't succeed in seeing him, much to my own regret.

He wrote some articles here in the Foreign Affairs, especially on the land reform, criticizing the land reform as it had taken place. And conducted his general activities among the students, National Front students in this country. Later on, I was told by Ed Mason that he didn't succeed in his examination; when he went up for his Ph.D. orals, he failed and the reason was that although everybody thought he was extremely bright, that he just hadn't done his homework. He just hadn't done his homework, because (and also that was told to me by others) he had spent so much time with student organization and so on. This was his choice and preference, I don't think Hossein needed to get another Ph.D., as far as I'm concerned. He had considered his activities for the National Front to be more important than a PhD from Harvard and I have no difficulty in understanding this choice.

Anyway, Hossein left the U.S. and went to stay in France. And the next time I saw him was in 1979 when he came back to Tehran, after the revolution, after about 15 years or so. He came back full of hopes for a new day. But these hopes, as you know, were shattered and dashed completely. He visited me once or twice in the early days of the revolution, we would sit alone and talk. I'd say, "Hossein, why don't you now become active?" He would never complain in the way of saying that, you know, "My life was wasted because now, that I come to Persia, there isn't a real organization, there isn't a real base for me to operate from." And that was what I called tragedy of these people. That still the group of older National Front leaders and the younger group had never enmeshed in a sort of a coherent party which now could have become a powerful political party and push for a united ideology and platform.

I found Hossein highly disappointed in the turn of events. After all, a man like Banisadr was once a member of the National Front committee at the university, which was headed by Hossein in the early and mid-1960s. Banisadr was a member of his committee when Hossein chaired the university committee in the earlier days, before he had come to Harvard. And now Banisadr was minister of economy and minister of foreign affairs and had nothing to do with the National Front.

Q. Had he gone back to his villages?

a. Yes. And he talked to me about it one day. He said, "You know, I've been to my villages and I was amazed as to the progress that I saw, had taken place since last I'd seen my villages -- my own villages." He talked about living standards in the villages being far higher than he expected. And this is very interesting. He talked about people having bicycles and motorcycles and occasional cars, occasional Paykans. That the standards of education had improved and that the schools were running well. He was the one who was telling me about this, I had not gone to those villages myself.

There is the example of what one, perhaps, could refer to as the drama or the tragedy of Iran. It is a tragedy of Iran, when men like that -- and I know several men like that, there were many men like that who ultimately remained here and never returned or did return; they were jailed by the revolutionaries, some of them were shot dead by the revolutionaries. None of them, except in the

early period of Bazargan, ever became anything; and even then, during Bazargan's government, they were totally useless in pushing a policy.

But what was still a greater tragedy was that they did not have a policy. They did not have a platform. When Mr. Sanjabi came to France and signed that declaration, that was almost dictated by Khomeini, it was very natural because there was nothing behind him that you could refer to as the National Front, except just images, except memories of Mossadegh and scattered individuals like Hossein Mahdavi -- as wonderful, as clean, as strong, as well educated -- they were, but without a real, true political basis and organization.

There may have been sentiment among Persians, but these sentiments are short-lived. They can be swayed from one thing to another, from day to day, you know. If they had a strong party, if they had a strong platform, if they had really developed something -- if they were allowed to develop something, now let me put it that way (later on I will criticize the Shah on this point) -- if they were allowed to develop something, then there was a structure on which they could stand. But as it were...

Q. Could we go back now to the time of your resignation from the Plan Organization, in '62. It seems that there could have been, may have been, at least it's a puzzle to me as to why there wasn't (to some extent) some resentment toward the government, even the Shah that here you were in the Plan Organization so enthusiastic trying to do something, and yet you had met this obstacle. And it seemed at that time you could have been inclined to join Mahdavi and Ghani and your own brother in some sort of association with the National Front as the only sort of visible, non-revolutionary opposition. Were there such sentiments? And if not, how did you reject them?

A. Well, I'll try to be as honest as possible. I honestly, sincerely had the greatest love for these individuals, had the greatest respect for these individuals. For example, you know, all of them had had a common background with me and there was such an understanding between us. There wasn't a time that I felt opposed to Mahdavi. Because when we talk about the military problem we had one voice during the Plan Organization. When we talked about economic development, we had one voice. When we talked about land reform, we had one voice, about which I'll talk.

Take the other person, Cyrus Ghani. Cyrus Ghani had grown up with me from childhood. Cyrus Ghani was not like Mahdavi, he had only a brief stint in the Plan Organization as a lawyer. I had made that arrangement to have the sort of the lawyer who understands all these agreements with the World Bank, can read and advise me on it and so on. I certainly brought him in order to be sure that when we go to negotiations, he will be there and read the agreements and advise me on them; because he was trained in the United States' law schools and he would readily understand Anglo-Saxon types of contracts and was familiar with them. Whereas in the Plan Organization, we had no one at that time with experience and understanding of the legal problems involved in our negotiations.

Cyrus Ghani was an amazing person with such fantastic memory -- even today I run to him when I want to check something. And again, I loved him. And he, however, never seemed political. At least at that time he did not seem all that interested in joining political groups. But Cyrus loved to

socialize. He loved to collect people around him, sit down and talk with them -- to sit down and ask unending questions and to be informed about what was going on. And if you really wanted to know what was going on in town, Ghani was the source to go to. Because he is the type of man who constantly asks questions and constantly absorbs these; and it remains in some kind of a tremendous computer data bank in his head and he can retrieve the information at any moment of time readily. He's that type of person.

But, I always found him rather shy in supporting a policy proposal and taking a strong stand. I always found Cyrus Ghani reticent when it came to waving the flag or standing for a political action. He was a shadow member, in my judgment, even then of this group.

I'll never forget, by then Cyrus Ghani was in the private sector. He wasn't in the government sector. I didn't really know what Cyrus thought about various policies. All I knew that Cyrus was interested to find out about various policies and had a great sympathy for the National Front.

You know, at the moment of time I liaised between Dr. Amini and this young group of National Front members -- not only the young group, but I also talked to Dr. Sadighi as well about how essential it was that they should support Dr. Amini, because at least this was the next best choice. That unless there was first some kind of a government like Dr. Amini's which argue for free elections and so on, they would not be able to develop their own National Front party. And if they supported Dr. Amini, there was a chance that they would be able to coagulate once again, that they would get together once again, and that they would build up a party of some sort. I'm afraid they were in too much of a disarray. There was no leadership. After Mossadeqh, I knew of no true leadership within the National Front.

Q. Which people did you try to convince of this idea?

A. Principally Dr. Sadighi. This is the man that I talked to at length -- who was a senior man, to whom I had a reach, to whom I could talk; and he was extremely polite, very gentle, he would listen. They're all such decent people, you know. They were.

Q. Did you know him beforehand, Dr. Sadighi? Were you acquainted with them before these discussions?

A. Yes, because as I said, he was the head of the institute in which I was teaching.

Q. Yes. I see.

A. He had asked me to come and lecture on development. And that was very interesting. He had asked me to teach there.

Q. So why did he reject your offers? Or Dr. Amini's offer?

A. No, no. It wasn't...he would never reject, he would listen. I was pressing, but I'm saying that the results never came about. And at the beginning, let's be honest, they didn't oppose Dr. Amini

in any sense, they didn't make any statement opposing Dr. Amini. Maybe at later points they sort of separated themselves from him. But I'm saying to you that they had an opportunity to jump, to organize themselves -- this is what I'm saying to you.

And my point is this. I went to Washington. I related this earlier, but it seems...

Q. It's on there.

A. Is it on there? When I...

Q. Meeting at State Department at Dean Rusk's office with all agencies represented.

A. When they ask me about...

Q. National Front, yes.

A. And I reported so to the Shah. So you see, I was a believer at that time that they could have organized themselves. Why didn't I, when I resigned, become, join or even before that. One, I thought they knew that my sentiments were there. Two...

Q. Sentiments were where?

A. My sentiments were with the National Front. Two, I didn't believe they had anything for one to join. There was no leader that I believed in. There was none. I believed in Dr. Amini, yes I did. Because I selected him as a person who was the best for the circumstances and I was really true to him. I resigned over an issue on which I had lost face; and I had to resign, that was a different story.

There was no place for me to go to. If it was association, I had association with all of them. If it was thinking along the same line, I did think in the same way. But these people were not themselves card-carrying members. And when I resigned from the government, my decision was that I should not in any way be active, lest Dr. Amini would think that I was sabotaging his own government.

And shortly after that, I became deputy governor of the Central Bank and the first lesson that Mehdi Samii as the governor of the Central Bank taught me was that, "Listen, Khodi, no politics at the Central Bank of Iran." And believe it or not, for six years, what, for the first three years I didn't even travel out of Iran. I was in Washington every three, four months. Mehdi said, "I knew why you were in Washington. You know why you were in Washington. You were negotiating loans." But others thought that every time you went to Washington, something happened to the government and every time I made a statement there, it would get to Tehran before I even returned to Tehran, for heaven's sakes.

So I didn't even go the United States. I cut off from everything. I sat behind my desk as Deputy Governor, worked -- believe it or not -- for ten, twelve hours in order to master the art of central

banking; which, although I was an economist, it had little to do with economics as an art. As such, you had to learn a great deal about banking. Not only banking, but who were the bankers, to meet all the bankers. So I cut off myself from politics in that sense and after that never had occasion, because there was no National Front anymore.

Q. Let me ask you to talk about your impressions of the Majles, again while you were in the Economic Bureau. Did you feel that the Majles was of help and assistance to a disciplined, organized planning process or did you think that it hindered this process?

A. For whatever reason -- and this is very sad when I say this, if I want to be honest with you -- in those days, my image of Majles (and I'll explain, I'll substantiate this) was that they're only an obstacle. And this is very sad and I repeat, today I consider it sad. But, consider me in those days, a young man who was full of vinegar, he wants to do this, do that and see this done and that done and he considers the Majles as an obstacle.

Q. Why?

A. Well, first. I used to have meetings with parliamentary committees -- whether these committees came to Plan Organization for us to brief them, whether we attended the committees of the parliament directly -- I never found the people in the parliament of such high levels that they would understand deeply what we were talking about and that they could master us and convince us and change our direction. This is what in my heart I wanted to see, you know. I had a different image of what a parliament should be, I thought in terms of the British parliament. I thought in terms of the U.S. Senate and Congress and the processes that went on there. Where you were really answerable.

I found that most of the time that nothing it was only a rubber stamp because they started with the praise -- they always started with a praise of the Plan Organization and the people -- and at the end they would rubber-stamp what you simply told them and praised the organization again, you know, for the efforts that it was making and so forth. And once in awhile one of them would come and sort of whisper in your ear, "Could you please make allowance for such-and-such a little project in my constituency?"

I had seen too many laws going through the parliament, conflicting laws going through the parliament. I didn't see a procedure there where laws were properly considered, properly examined and checked against existing laws and then come out as useful laws. I didn't in my heart consider them highly representative of the population. We knew, to such great extent, how they were appointed. Certainly Amini was a hero.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

DIRECTOR: Habib Ladjevardi

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NARRATOR: Khodadad Farmanfarmaian

DATE: December 17, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 9r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. Yes, please continue.

A. Because he laid bare the trickery that had gone into the election of the members of the parliament or the central control, because he had clearly shown that these people were not representative -- that these were almost appointees of the government. Naturally as a young man, as a young man with all those ideals, I would have thought this to be far less of an institution than I had imagined parliaments to be. I had listened and read many of those speeches. These speeches were mostly polemics. It wasn't until later years, surprisingly enough, that once in a while I'd see a decent speech. Not close to the revolution, no, no, no. But at the time of, let's say, Mansour's government and later on during Hoveida's government.

I distinctly remember one man, that nobody talks about, and his speech as a member of the opposition, his speech on the budget. Every time Hoveida presented the budget, the opposition speaker was Halakou Rambod. And his speeches, to me, were one of the best things that I had heard coming out of that parliament.

The prime minister would present a speech. Sometimes I was in the gallery, usually read it in the newspapers. And the opposition comments were usually superficial, irrelevant, not to the point, unstructured and unprincipled. You know, it was just like picking at something. It wasn't the question of discussing overall national policy, as such, that was going on. Maybe I'm exaggerating, but that is what I thought in those days, you see. That's why I always felt that the parliament is something on the side that we had to put up with it, it was a rubber stamp anyway and I didn't really respect it.

Q. So, when issues of high proportion of funds, allocations for defense, military came up, or the question of the place where the budget function should be, it never occurred to you to try find allies in the Majles to support you or give your position?

A. On the development plan itself, we did a lot of lobbying and talking with the members of the parliament. On these administrative reforms, such as for example, the dismemberment of the Ministry of Finance, the taking away of the budget function from it into the Plan Organization, I didn't. They applauded us for the fact that we were suggesting (after Ebtehaj had left, of course)

and in preparation of the third plan, that the execution must go to the line ministries. This was well received in the parliament. In that sense we hardly needed their support.

But I don't remember ever going to the parliament because it was purely internal. I wouldn't allow myself. And it was mostly taking place during Amini when we did not have a parliament, you see. Anyway.

I was not a political man, as such. Don't forget this, at the time I was just an administrator within the government, I was deputy managing director of the Plan and as such it wasn't proper for me to go to the parliament. And I didn't want to do anything, so to speak, behind the back of my boss or my superiors. I thought it the job of Asfia to go in and argue in the parliament or the prime minister. We were just men of ideas and we would build ideas, we would submit papers and table papers. No more than that.

Q. Would you like to talk about the land reform issue?

A. Yes, yes. I don't want to talk about it in great detail, because there are papers and there are all kinds of work on it available.

Q. Perhaps you can give references or...

A. Only to speak of the genesis of land reform. At the very beginning, the very beginning, when we started to talk about agriculture in the Economic Bureau, we had come to the conclusion that you couldn't get agricultural development without land reform. That under the then-system of tenancy, there was no real incentive for agriculture to grow and besides, this was an essential reform. You had to change this -- as I always refer to it -- this historical inequity, if you wish, by decree. And if so, by an injustice, as the then-owners would have claimed, to redistribute the land among those people who toiled the land.

So we set out to study the matter. Naturally enough, the first thing which came up was the need for a cadastral survey. We did study this in the Economic Bureau and, in fact, we had some pilot projects. By the way, the Shah at that time had already distributed his own lands.

Q. His opponents have said that he was selling his land and turning real estate into cash.

A. In regard to actual distribution of land, this is not true. The payments, which were distributed over a long-term period and were nominal, were to be paid to Bank Omran for reinvestment in the same area and for supporting the credit requirements of the new farmers. The payments were not made to the Shah's account as such.

Q. So it wasn't that Bank Omran was the intermediary to take the land, take the notes and in return give the cash to the...

A. Back to the Shah? Not that I'm aware of. If I were, I would have told you outright. I don't know anything about such machinations. I wish I did, I wish I was familiar. But in principle, he had distributed in good faith, as early as 1949. And he did this, and repeated that, "If I did it, then the other landlords should follow my example. I'm the King of the country." Few followed him

in the early days. Except one or two which I'm going to explain in a moment. This didn't catch on and the landlords just held onto their own and remained as such.

But this was, in parentheses if I may simply say to you, an attempt at land reform by exemplism. I have never seen exemplism work in the case of Iran. Even when it came from the Crown. Or maybe sometimes because it came from the Crown, I don't know, or because it came from the government. Anyway, exemplism, whenever it came from the government, such as a pilot project to be emulated by others -- not only in land reform, but in development of agriculture, in pilot project for use of machinery, fertilizer, etc. -- was not all that effective a mechanism to promulgate, disseminate information to others. It just didn't move them. It seemed you needed other type of devices to spread a practice if you wanted it to spread.

Anyway, the Shah had already done this. And we started to study cadastral survey. And we started to study the time and the cost required for cadastral survey of land under cultivation in Iran.

Q. What is that word?

A. Cadast, c-a-d-a-s-t, I believe. It's, if I'm not mistaken, Latin word for unit, for unit of land. Cadastral survey simply means a survey of the land and its use of agricultural land available.

On the basis of funds available, and in fact the number of people needed for this type of thing and planning and organizing it, it would have taken years to complete the survey for the whole country. So if you wanted to go about this business properly, first you would say, "All right, let's have a cadastral survey for the country and then we will carry out a land reform program on that basis" -- which would have meant perhaps another twenty years and we knew we didn't have the time for it to be done earlier -- much earlier if we wanted to proceed with speedy development of agriculture.

Mr. Khosrow Hedayat was at the time head of the Plan Organization -- he's dead now. I've always said that he was one of the wisest superiors I ever had, one of the nicest persons, I'll compliment him first. But when I talked to him about the need to propose land reform, he said, "I advise you not to enter into this discussion at this time." And he was my boss and we sort of went back to the Economic Bureau and sat on it. But we conducted our studies. In the interim, this is before Dr. Amini comes to power, we just discussed the problems of carrying out land reform without a cadastral survey within the Economic Bureau.

In the meantime one day I went to visit my eldest brother. By the way, my eldest brother, Mohammad Vali Farmanfarmaian is now 94 years old. At the time he was considered one of the biggest landowners in Persia. He owned the whole of Mianeh, which had a population of about 30,000 at that time. I had gone to his house just for a visit -- this is '60, yes, 1960.

As I entered his anteroom, I noticed there was a man standing in the corner with a file under his arm. No tie, he looked like a simple villager. And I saw my brother standing there talking to him. He asked me to go to his private sitting room and wait for him. I went and sat there and waited until he came. When he came, in his very gentle way, he said to me, "You know something?" I said, "What, sir?" He said, "This man is my chief planner. He is my Mr. Ebtehaj." I said, "What

plan, sir? Are you jesting or is this serious?" He said, "No, seriously, he is my Ebtahaj." I said, "What do you mean, sir?" He said, "You know, for some years now, I have carried out a full program of land reform in Mianeh and it is a very successful program, it has worked. And this man has been in charge of the whole program." I said, "Sir, how did you do this? Did you do a cadastral survey of the village and so on?" I proceeded to ask the question from my own, of course, technical point of view. He said, "No, no, no. It's much easier than that." I said, "Well, it's very costly." He said, "No cost at all."

I became more and more curious to see how he had done that. He said, "Firstly, I collected the sort of reesh sefidan-e mahal -- the local white-bearded men -- that I knew for many years. We sat down in a meeting and I told them of my intent to distribute the land. And they all applauded my intent. Then I said to them that well, shall we discuss how this should be done." He said, "Out of this discussion came a very simple method: that we will assign the land or transfer the land's ownership to him who had toiled the land for at least the last three years." So the concept of tenant/toiler/owner was used as a guiding principle. I said, "But who knows this?" He said, "Nobody knows better than all the villagers themselves who has toiled the land. Because if one came and claimed, everybody around would know that he wasn't the one who was toiling." He said, "So, and the amount of land that was toiled by a family or a head of the family was known. Some of them had been doing it for years and years, some of them have been doing it for less than a year and so on."

He said the next step was, "How do we conduct this and at what price and what were the terms?" He said, "Again, I discussed with the white-bearded men of the village (a sort of council, if you wish) and they put a price on various types of land. If the land was near water, or was more fertile, they knew again and they put a higher price on it, somehow relating to the recent productivity of the land or bardasht, the average output of the land for the last three years. And they came to a decision of the value of the land on the basis of the quality of the land -- and there were various qualities. So we agreed on the price of various land categories. The next question was the mode of payment to the landlord -- 'How do we pay?' There was an argument. At the end it was agreed that it should be paid in installments of eight years at (I remember this distinctly) five percent rate of interest on the balance of indebtedness -- the net remaining debt."

I said to him, "Sir, how did the plan progress?" He said, "This man that just came to me brought me a bunch of letters -- if you wish, you can read them -- from the various people who were given the land, who had gone to Makkeh [Mecca] already, that is, they had made enough savings to be able to go to Makkeh from the toil of the land that they owned." He said, "To this moment, not even one of their notes has fallen due." And this was already three, four years that he was carrying out his land distribution scheme.

I checked back with him again in later years. He was fully paid by the farmers, by his previous tenants. There was no interference by the gendarmes or government officials. There was no difficulty whatsoever. And no cadastral survey. The bonchaghs, that is to say, the old or historical titles of land, the bonchaghs were a form of title, indicating the owner's rights and tenancy conditions and were used as the instrument of ownership transfer after full payments were made.

Well, this gave me an idea. I came back, wrote a paper, unfortunately in English, on this and suggested a land reform for Iran on that basis. And started to consult with some of my friends and colleagues, such as Mehdi Samii, Reza Moghadam, Cyrus Samii, Hossein Mahdavi and some of the foreign advisors, such as Christensen and Ken Hansen. I said, "All right, this is a model. These men have done it and it's a pilot project. Let's examine various aspects of it and see where the problem lies and settle those, polish it and let's have at least a policy ready in case the government decides to have a policy." So we did. Dr. Amini comes to power. Hassan Arsanjani is appointed as Minister of Agriculture. Land reform is to take place.

One day, Arsanjani, who was a very close friend of Mehdi Samii, hears from Mehdi that we had a plan. He takes us, the whole group -- I remember it was me, Mehdi, Cyrus Samii, Moghadam, and I, the whole group of us -- he takes us up to Hesarak. Hesarak was where the Razi Institute was located, which belonged to the Ministry of Agriculture. Do you remember the Razi Institute, this well-known laboratory and research center where they produced vaccines? One of the best institutions we ever had in Iran.

Q. Yes. Is that on the road to Abe Ali?

A. No, no. It's the other way, it's on the way to Karaj.

There were facilities there, there were buildings there. And we all sat in a room, we were locked in the room from morning. And I remember they served us chelo-kabob. And we discussed this plan until late, well into the evening. Because Arsanjani had no notion whatsoever. You know, he was a newspaperman by profession. He had no notion about how he was going to proceed and he was under pressure to develop a plan and draft a law. He took my English paper -- I've never forgotten -- he had it translated. And he discussed all aspects, he examined, reexamined it with us. And went on.

The next time that I had the opportunity to enter into this picture was when Dr. Amini called on me to attend the presentation of the land reform law by the Minister of Agriculture to a limited number of the cabinet members. Principally, Arsanjani was proposing exactly what we had proposed to him earlier, save one very important change. He had allowed that each landlord should be able to keep one whole village for himself, a shish-dongi. This shish-dongi could be either parts of various villages or just one complete village or lands around villages. And remember, this was supposed to be the first phase of the land reform program, the other two phases to come at a later time. That the government would issue land reform bonds, the government would collect on the basis of some long-term arrangement from the tenants and would issue long-term bonds to the owners. The long-term bonds were backed up by the sale of government-owned industries and the agency to do this was the agricultural credit bank.

These aspects I didn't pay attention to, but the fact that a landlord was still allowed to hold a whole village -- and in some cases like Mr. Alam, for example, it was the whole of Birjand, as it turned out, it began to bother me tremendously. I said, "What about the peasants who are in those villages left to be owned by the landlord? They see that the next-door village, their cousins, their friends and so on all have private ownership, but they still continue as tenants in this village. This is going to cause..." I said this across the cabinet table to Arsanjani who was sitting right

opposite to me, I said, "This is going to cause bloodshed." Arsanjani in his very cool, calm way bent over the table and said, "But that is precisely what I want." I have never, never forgotten this. These were the exact words. What he meant, what he must have meant, that he wanted to carry out the plan in full. That the pressure of many landlords through government channels, including Dr. Amini and the Shah, was such that he was forced to give them this particular advantage, that I thought was incongruous with the whole program of land reform as we had perceived.

Q. So this was a temporary concession he was making?

A. It was a concession. Would it be temporary or not, he didn't know. But he thought there'd be enough political pressure to change it. As it were, there was.

The next time I saw Arsanjani was in his room with General Malek (later on to become our ambassador to Germany), who was the head of the gendarmerie. They were discussing the problem of revolt and instability in some of the areas where land reform was enforced. And Malek was under instruction, of course, to support the program. The Shah had instructed him to support the program and keep peace in the province.

We didn't know it in Tehran, but apparently there was a considerable amount of bloodshed in the south, in certain areas, and the gendarmes played a considerable role in the enforcement of land reform.

Q. Caused by whom, the landlords or the tenants who hadn't been given land?

A. Both, both. No doubt some of the landlords fingered this. And this led to a very famous speech by the Shah in Doshan Tappeh in his military uniform -- I remember those bleak, bleak days -- defending the land reform, answering the landlords saying, "I listened to you all these years. I waited for you all these years. You didn't do it. This is the only way it has to be done, this nation, these farmers have a right to it."

This is the beginning, by the way, of the clerical opposition, organized clerical opposition to the Shah in the person of Khomeini. There is no doubt that Khomeini took a position against land reform. And this is the beginning when they tried to close the Faiziyeh School in Qom and jailed and exiled Khomeini, who went dead set against land reform, of course, as well as against the reform that allowed women equal rights to vote.

This is one note I just wanted to give on land reform.

Q. Could I now ask you to describe your memories and draw a sketch of the several prime ministers under whom you served during this period, beginning perhaps with Dr. Eghbal, then going to Sharif-Emami, then Amini, Alam.

A. Just this period?

Q. Just this period.

A. Well, let me really begin by talking about Ala, when he was prime minister and afterwards, and I'd known him and I loved him. And I thought of him as probably the last of the greats -- greats in the sense of Ghavam al-Saltaneh, in the sense of Hakim al-Molk, in the sense of Moshir al-Dowleh and Zok al-Molk Foroughi, in that group. You know Ala was one of the most educated men that I have met in my country. Ala was one of the most experienced men, not only in the affairs of Iran, but also in the affairs of the world. Don't forget, he had already been the ambassador to the United Nations and his famous speech on Azerbaijan, which still stands as a classic, I think. I hope that in your records someplace you will find this speech and place it; it should be a part of your records. And you should interview people who have known him far more intimately than I did.

I wasn't part of his government. I wasn't aware of his abilities as prime minister. All I knew was that he was so well accepted and he was so well respected that he could sway decisions in the direction he thought was right. I also knew that to the Shah, because of this long period of association and because of difference of age, Ala was like a father, the Shah must have had a great inner respect for this man. I had seen Ala stand up and give speeches in English, the like of which I had not even heard in England. He could be any day a leader in the British parliament and he could handle the issues at the same dignified level that issues are handled in that historical House of Commons or maybe I should say the House of Uncommons.

In French, he was no less, as I understand from people who are masters of the French language. He had such a great ability in Persian. He was a scholar of Persian and his writings; his speeches before the Iranian parliament are there to be seen. And I refer to impromptu speeches, which also is a sign of the mode of his thinking and the very structures of his thought. Unless you do have models in your mind, you cannot talk that well, even if your language was excellent. One couldn't project complicated thoughts just by mastery of words.

Ala was a great patriot. He was a very talented man. By the way, I don't know whether if you have ever seen some of his sketches? He was a man who was a man of multi-talents. I have seen some of his sketches of political leaders. They're the most fantastic sketches -- it's like a professional who has sketched, with pencil, the various political leaders or individuals.

He could make puns out of words so easily, whether in English, French, or Persian. One that I remember -- I may have told you before -- when the President of Turkey was visiting His Majesty the Shah, and Ala was Minister of Court. He was standing between the two and the President of Turkey was speaking in French to the Shah and tells the Shah that, "Turkey is full of roads, we have built so many roads. And it's full of banks, we have got so many banks." So Ala turns and says to the Shah, "Your Majesty, Turkey's banqucroute." The word banqucrout, well it seems a combination of banks and roads that he was talking about, also means bankrupt in French. And that was the type of mind. And truly enough, Turkey was bankrupt, if all its development effort was spent on creating banks and roads.

I found that he was a great refuge to us, he understood us, and he listened to us. He was extremely sincere, he always helped us -- I'm talking about the group of young reformists. His background I need not refer to here, it is a matter of historical record. My God, he was a member of the League of Nations, the mission of Iran to the League of Nations. He served in foreign office, ambassador to the United Kingdom and the United States, ambassador to the United

Nations, head of the Bank Melli. Various ministries, prime minister four times, minister of Court a long, long time.

Q. What was his relationship with the Shah?

A. I'd seen him many times in the presence of the Shah. The Shah was rather timid in front of him, rather shy with him and respected him a great deal. Not always accepting what he might propose, not always believing in the positions he took. But he was so forthright and honest with the Shah. I remember everything you would tell him, he would write down and, in so many words, he would report to the Shah. There was that truthfulness and honesty about him. Not necessarily his own view, but what you had gone there to tell him. He considered his function as minister of Court, for example, as a conduit to let the Shah know the true information that has come to him. Whether the Shah accepted it or did not was beside the point and what was his own view would only be voiced if the Shah had asked for it. But this was the honesty that I saw in that man.

Often he was referred to as naive. He was referred to as naive because of his honesty again. Because of his truthfulness. And in Persia, to us, people who are straight, honest and abiding by their responsibilities and duties are often called naive. The next man I knew...

Q. Before you go to the next man, there are some statements made about the last position that he held and the allegation that he was discharged by the Shah because of his openness, if I may put it that way. What do you know about that incident?

A. I think that when he was minister of Court, a group of people alarmed by the circumstances in the country and political circumstances in the country and so on, collected one night at his home.

Q. At Ala's home.

A. At Ala's home.

Q. This is around the 15th of Khordad incident?

A. That's right. About that -- or just after, just after. And these people were, so far as I know, General Yazdanpanah, Sharif-Emami (for sure), who else?

Q. Djam?

A. Old man Djam?

Q. No, no.

A. No, he was dead.

Q. Fereidoun.

A. I do not know, General Djam. General Djam was not yet.... No, General Djam was not yet chief-of-staff at that time. He may have been there, but I don't see.... And Djam is a very disciplined man, I doubt it, I doubt this very seriously. No.

And presumably after this meeting, when alarm is voiced and discussion takes place, and so on -- before Ala has a chance the next day to go and report as he would have -- Yazdanpanah runs to the Shah and says we had such a meeting and these are the things that have happened; and nobody knows, but of course how he had reported the event in the instance to the Shah. All we know is that the Shah was put off by this, became very angry and immediately, or shortly after, set Ala aside....

Q. Ala.

A. Yes -- and appoints him to a seat in the senate. And he was a senator when he died; he was about eighty-five or so. This is the only story that I know. I don't know anything about the details of what went on in that meeting. You ought to talk about this to Fereidoun Ala.

Q. His son.

A. His son in London. And this time...

Q. What to a listener who has heard you describe Mr. Ala the way you have, and then hearing this incident, I'm sure they will be very puzzled at how could this happen with such a loyal man, with such long history of service to Reza Shah and Mohammad Reza Shah himself. How could this happen over one [interrupted].

A. One incident.

Q. One incident. What do you make of it? Or what did you make of it?

A. The only explanation I had at that time, and I have today, is that the Shah was so sensitive at this time, and so insecure at this time that he would have looked at this whole thing as a cabal, as a gathering of the statesmen to take certain measures and that if they wanted to do this, they should have come to him, rather than meet separately. It's this sense of insecurity that was developing very severely because of the incident and because of the reactions to land reform. That period of insecurity was very famous. That's the only explanation I have. He felt paranoiac, I guess, about the circumstance. He must have. He just saw things that weren't there necessarily. Certainly these people wouldn't be plotting against the Shah. A man like Ala would never plot against the Shah. But he had become paranoiac because of these conflicting reports that he constantly heard.

This goes to show you the lonely position of being a leader under pressure, you know. Everything was directed towards him. The Khomeini affair, the clergy uprising, and the treatment by the Kennedy administration in terms of cutting the military support -- all of these had already left an affect on him.

Q. Did this and similar incidents serve as a lesson to people such as yourself, who were on the rise, as to what would be proper behavior on your part under these circumstances?

A. I suppose we thought about this. I suppose we thought. Certainly it gave us a notion that the Shah was very suspicious of these things, was very sensitive to these things. He didn't like this type of thing going on. He understood it when the National Front people would collect together, but this was to no avail, they had no power. But when a group within the administration would do this, this was sort of a revolt within, if you wish, or so interpreted by the Shah. Or so reported by Yazdanpanah, I do not know, because Yazdanpanah after that, we see him move up and up and remains on the top as the confidant of the Shah to the end. Ala falls off favor, is dispatched into the senate and dies there. That's it.

Q. Because at least some foreigners have raised this question, addressed this question to Iranians that in the last days of the regime, or at least in the months preceding the fall of the monarchy, why didn't the group of you get together and discuss the situation and try to find some sort of resolution to it. And it seems that perhaps the reason people didn't do that in a way relates to this Ala incident.

A. They did, in this revolution, they did. Considerably so. There was considerably more, because now the threat was real and far more pervasive than at that time. I don't think at that time the Shah was really basically threatened. I don't think so.

Q. Could you talk about Eghbal, Dr. Eghbal as prime minister?

A. Well, Dr. Eghbal was always known, and I have no reason to believe any other way from my dealings with him, throughout as a personally very honest man. When he died, he really didn't even have very much in terms of personal wealth. Dr. Eghbal had started in medicine, but his heart was never in medicine, it was always in politics. He was a highly politically motivated individual who had become minister of interior and anyway, subsequently the president of university and using those as stepping stones to become prime minister. And there's no doubt in my mind that he was very loyal to the Shah, to the regime as such. He had proved that time and time again.

There was a certain reasonableness about him. He was the sort of a man who wanted to solve everybody's problems, so to speak. He was very proud of the fact that everyday he would come to the office at five o'clock in the morning and read every letter which was written to him as prime minister or later as chairman of NIOC -- which, of course, in those days we ridiculed. We said, "My god, what kind of prime minister can this be?" But he was capable of putting in a great number of hours into his work; he had the ability to do so.

But you know, I never found him deeply versed in world affairs. I never found Dr. Eghbal with a deep understanding about issues as it related to, let's say, economic development of the country. He didn't have that much interest. His primary interest was to just make things continue, this bureaucracy to continue and he didn't want to bring about such reforms that would begin to shake this structure that he had done so well within. He was a man who represented the status quo par excellence.

He had a great ego, but that wasn't an unusual thing. I mean, after all, many, many Iranians who had reached such position had great egos. I didn't find this in Ala, by the way. Eghbal was very pleased with himself as to his achievements, his past career. And he had a habit of every time, in new circumstances, in the presence of a new person, he would recite all the posts he had held previously and all the experiences he has had, you know. He repeated this. I had heard this so many times.

He was a man who also could use the whip, political whip to keep the various factions in the parliament together or to keep his Mellioun party members happy and together in order to get results from them and keep them fairly well satisfied. He would dole out small favors to this man and that man and such. In that sense a sort of a classic prime minister. But I never thought he had far-reaching horizons. He was no visionary. He just thought that things would go on as long as he was sitting on the top.

During his administration of the oil company, for example (and this was very well known), every report that came to his desk, he would write on the side of it "beh arz beresad," to be reported to His Majesty. And the Shah trusted him implicitly because of that character. Everything, every report -- every time he'd go in and take all these reports to the Shah and tell the Shah what it is and get the Shah's instructions and write the instructions on the side and say do this. Just like that.

He, I think, was the man who contributed so much in pulling the Shah into the day-to-day affairs of the country, into the routine affairs of the country. Into such affairs that the Shah never needed to be pulled into to preserve his power. But Dr. Eghbal, whether out of recognition or philosophy, or lack of knowing any other way to do things, or his failure to make direct decisions himself, or his fear of making direct decisions himself carried on.

Q. What about Sharif-Emami?

A. Sharif-Emami was far more of a decision maker, in my judgment, than Eghbal. Whether as I remember him, as the Minister of Industries and Mines, the President of the Senate, or as prime minister. Sharif-Emami was a far better administrator, he was known as a "no-nonsense" type of administrator. That once a decision was made, then Sharif-Emami would see to it that it's carried out. I could see Sharif-Emami arguing things with the Shah far more than Eghbal would ever do.

There was a great deal about his connection with the vested interests, there was a great deal about this that we all heard. At one point, I remember, Mansour was Prime Minister and in the Plan Council meeting, without naming names, in a very derogatory statement -- which obviously was about Sharif-Emami -- said, "Some people who were using their previous positions are collecting on a monthly basis a hundred thousand toman from various business organizations," and so on. There was a great deal about Sharif-Emami in this connection.

Sharif-Emami, again, was the type of man that had his own enclave around him and would solve the problems for the groups and take care of their interests. Maybe his last statement before the parliament, that this "Sharif-Emami is not the Sharif-Emami of twenty years ago," was in a way an answer to these innuendos and accusations. But the atmosphere was rife with this type of rumor about him.

Q. I guess so much could be said about Mr. Alam, since he had such a long career and had such a long.... But if you could just limit today's discussion about his premiership.

A. The most important thing was that he was close to the Shah and the Shah trusted him implicitly, in my judgment. I don't think I can name any other person that the Shah trusted more than Alam and was as close to him.

Q. How could you compare him and Eghbal?

A. With Eghbal, the Shah wasn't as open. I would sense with Eghbal he was much more impersonal and formal, whereas with Alam he was much more intimate.

Q. With?

A. With Alam. He could be far more intimate. Don't forget, these two grew up together. They had seen everything together.

Q. The Shah and Alam?

A. Oh yes, the Shah and Alam. His relation with Alam was an intimate relation, personal relation. And I have no doubt, that if I were to select one person who knew about the greatest secret of the Shah and the court, it would have been Alam. No one ever came so close to knowing these things, or the greatest secret of the Crown, what actually the Crown was involved in, the things that the Shah might have done. And there is no record of this, of course, anywhere.

Q. You know, of course, it's rumored that he was keeping daily diaries.

A. Oh, there was this rumor about everybody. I have very serious doubts. Diaries in the sense that he would write, I've seen them, what the problems that he had to discuss before the Shah and what the Shah's orders were. But outside of that, in terms of anything manipulative within the political system, in the regime, I doubt very seriously if there is a record of this.

There was a lot of, also, talk about Alam being involved in various deals and in various derogatory activities, certainly in the later years. But I'm sure none of it was without the permission of the Shah, I mean he's that type of a man. I don't think he ever did anything, unless he first cleared it with the Shah. So in that sense, if he was ever involved or he had any benefits or gains, it would have been that the Shah would have thought that he deserved it, as a sort of a bonus for his services, rather than anything else.

Q. What kind of prime minister was he?

A. He was very political, almost tribal in sharing power among a close circle of friends. He had no real understanding of economic development, financial aspect of the government at all. A highly, highly political type of man, both in two fields: one, domestic politics; two, foreign politics. I mean his relationship with the British, Americans, and Russians was very strong in that

sense and these were the two areas he held very strongly. He was not at all interested in the domestic reform type of activity.

And he was a hard decision maker. If he were alive, I think there would have been a lot more bloodshed at the time of the revolution. I think he would have made his decisions and carried them out. Maybe he would succeed in preventing or delaying the Revolution of 1979 -- indeed as he did in 1963 with Khomeini's first uprising.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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DATE: December 20, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 10r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. I would like you today to begin by describing your entry into the Central Bank. Perhaps you could begin by telling us a little bit about your acquaintance with Mehdi Samii, with whom you worked for a number of years, then we'll take it from there.

A. Well, you know, after I resigned, which I think I've described amply already, I walked the streets of Tehran. I really had no job whatsoever. I had no salary whatsoever; although I remember Asfia telling me that I shouldn't resign because I'd lose my salary and pension. But I had no choice but to resign because I wanted to make a point of resignation. I didn't want to transfer; I didn't want to sort of become an advisor on the side or anything of this sort. I wanted to break away and I wanted a clean break. And I wanted to make a noise. This was really the intent, to make a loud noise.

But, in that same year that I was jobless, I wrote some very major articles for "Tehran International." They're available; by the way, I saw them in the Ford Foundation archives. They're supposed to send it to me; I'll give you a copy. Make sure you have a copy of these. Because they do show my thinking at that time and my differences with the government at that time. A whole page of "Kayhan International."

Well, Mehdi Samii at that time was already a close friend of mine. Don't forget, Mehdi is some good ten years senior to me. He had already been a vice governor to Bank Melli before he had moved to the newly established IMDBI [Industrial and Mining Development Bank of Iran] as associate director, with von Ravenstein. And Mehdi was in fact a member of a mission I took to the United States to discuss the overall, general economic problems of Iran under Amini when we went there for budget support negotiations. And it was Mehdi, who among equals, made the suggestion to other members of the mission that I should serve as chairman of the whole mission and I have not forgotten this. These were discussions with people like Dillon, for example, who was at the time undersecretary for economic affairs in the state department, before he became secretary of the treasury.

So, I had grown very close to Mehdi. I had traveled with him as friends, and I enjoyed just being with him. I remember we had a great trip to Portugal together, on the way back from these meetings; and we nearly missed the plane and that was a great incident. They held the plane for

us, right on the runway where the plane was near take-off, and they drove us to the plane. People must have thought we were big shots that they held the plane for us.

Anyway, I enjoyed this person as an intellect and a friend. If I may spend a little time now describing Mehdi's character, as it is essential, like I did try to describe Ebtehaj's character. Mehdi was trained by Ebtehaj. And in that sense he had some of the great qualities of Ebtehaj, such as for example, his personal discipline and seriousness, eyes for figures, his understanding of accounts. He was trained before that as a chartered accountant in England. He had all the necessary equipment.

Mehdi was far more than an accountant. He had read a great deal and he had studied economics also, while he was in England, and spoke both French and English perfectly. His English was meticulous, much the same as Ebtehaj's was. He immediately saw mistakes and noticed sloppy language. His Persian was just as strong.

Generally speaking, he was a very decent person. He wasn't hard like Ebtehaj. He is a much softer person in character than Ebtehaj. But he was also a great disciplinarian, at least when it came to himself. He was always the first man in the shop and the last man out. He believed in leaving records of things. When he made a decision, he always recorded his decisions. And he made sure that whatever he had read, he would initial; and his comments were always on the side. These are traditions he had learned from Ebtehaj, these are traditions we all learned from Ebtehaj.

He was a man who believed in due process. He was a man who believed in advice. And he didn't have as much of an ego as Ebtehaj did. He fully believed in the limitations of his knowledge. Again like Ebtehaj, he was very genuine when he would turn to a man like me and ask for economic advice, for example. He never had the pretense of being an economist, although I found him to be far more competent than many economists I knew and on many questions, far more knowledgeable than myself -- particularly when it came to banking.

When it came to central banking, I'm convinced that Mehdi had really already become the master of the game. If you ask me today to pick one person who would be most knowledgeable on the questions of the whole banking structure of Iran, on the whole banking system; but also, more so on international banking -- that is one thing I purposely want to add, it wasn't just Iran -- on international banking, I would certainly say Mehdi Samii is right on the top there, without any doubt in my mind.

You see, he had learned over the years, the very nitty-gritty business of banking. Something I never learned, something I never knew. Anyway, at the time -- and when he was in the Development Bank, he learned development and investment banking. Although Bank Melli used to engage in this type of thing, but not in the systematic fashion as an investment bank would do, as the newly established IMDBI. So when Alam asked him to become the governor of Central Bank, he made a good decision.

I have a great deal of loyalty to Mehdi. During the time when I was jobless, running around, he asked me to go to sit in IMDBI and organize a conference on development. I think this was a

conference on development banking. And I organized it. I remember Javad Mansour, who was at the time an assistant director in IMDBI sitting next to me, and I would just plan and prepare things, and Javad would carry them out.

Mehdi came from a distinguished family. He had a sense of noblesse oblige. During the time we were organizing the conference (I think it was during that time), he was told that he was going to the Central Bank. So Mehdi asked me to sit down and draw up policies for Central Bank. With the help of Manouchehr Agah, who was at the time (if I'm not mistaken) head of the research department at the Central Bank. So Manouchehr Agah used to come to IMDBI and sit with me. I had no particular position; the question of my deputy governorship had not come up. And we used to consider and discuss policies. And I remember distinctly that we fortified Mehdi and Mehdi was the type of a man who would think in those terms that "If I'm going to the Central Bank, what is going to be the policy of Central Bank?" You know, normally people got appointed and they just went and sat behind a chair and then maybe they began to think. This was the normal way of doing things in Iran.

Not Mehdi. Mehdi wanted to go in there with a set of working concepts and policies. And don't forget, the time I'm talking about is '63. This is the time when Iran had now tasted the bitter stabilization program. It's trying to come out of the depth of a recession, a deep recession. And Mehdi wanted to have a new Central Bank policy.

I was perfectly convinced that this is the time for expansionary policy. Agah was rather scared. But like a bulldozer, I was in those days; I would just push and push and push. And we took out the figures. We sat down and analyzed these figures and we put it in the hand of Mehdi with our recommendations. My recommendation was, "Look, the country needs development. We have had a recession and contraction. Let's now push for increased activity. The role of the Central Bank in the post-recession period should be to encourage expansion of investment activity and development."

For the first time ever, Mehdi's statement to the press was that, quite contrary to what people believe, in a country like ours the Central Bank has an important job with regard to development of the country and it has to be mindful of that development, and it has got to support that development. He did that; he made that statement. I hope that one day you'll have occasion really to interview Mehdi Samii.

Q. He has not yet agreed to do it.

A. Mehdi has been, has been in and out of that government and knows a great deal.

Shortly after his appointment, Mehdi was asked in a press interview, about the successor to Dr. Moghadam, who was the Deputy Governor of the Central Bank and had left to take a post at IMF in Washington. The Central Bank did not have a deputy governor and Mehdi was looking for one. And the press asked Mehdi, who is going to be the new deputy governor? Mehdi only made this statement, and I remember this distinctly, "I assure you someone as good as Dr. Moghadam will be the new deputy governor of the Central Bank."

Q. Was there any significance in Moghadam leaving Iran?

A. Moghadam had left because he had come to the conclusion after Amini's departure, after our departures, that the atmosphere was not right for him anymore. Moghadam is a very sensitive person. God, I like to talk about that man. I did talk, didn't I, one time? He's a wonderful person, one of the best, one of the best and brightest of our country. And he was the man; he was the man who had the courage to carry out the stabilization program. You know, Moghadam had created a situation to give us good elbowroom to bring recovery and expansion. When we arrived at the Central Bank of Iran, if it weren't for the work Moghadam had done, for the hardship that he had accepted, for the tough policies that he had followed, we would have never been able to flourish the way we did and be successful as we were during that whole term of nearly eight years -- the combination of myself and Mehdi, both as deputy governor and governor. It was Moghadam who gave us the elbowroom. I said this to him; I've said this to everybody. He left us a legacy which allowed us freedom to move.

Anyway, I was at that time lecturing in Hamedan on management. Mehdi had already suggested my name to the cabinet and for four months, Mr. Behnia, again minister of finance to Mr. Alam, had held the decree proposal to the cabinet which was required for my appointment. And Mehdi quietly pressed and pressed and refused to change his mind about me.

Finally, I had a private meeting with Mr. Behnia to let him know of my circumstances and thoughts, and I went off to Hamedan. And I remember when I was in Hamedan; Mehdi phoned me and said that the cabinet had approved my appointment as deputy governor. It was still Alam's cabinet.

I stayed in that post for nearly six years. It is interesting; I remember the lectures of Mehdi to me. And mind you, I was in politics par excellence, regardless of our pretense that we were technocrats and so on. The very nature of planning and investment allocation is political. And before coming to the Central Bank, I was dealing with allocations. The very nature of the Plan Organization, in spite of all the attempts to be insulated from politics, to be independent of the goings-on within the government, was highly political. Where there is money, there must be politics.

Now Mehdi, among other lectures, among other things that he told me, he said, "Do you know central banking?" I said, "Yes, I do," because that was one of my fields, central banking, monetary policy. He said, "But you must remember the art of central banking as against the science of central banking." To which I said, "What do you mean by the art of central banking?" He said, "While I fully recognize that the Central Bank is a place where there is money and everybody naturally has their eye on the Central Bank and the government constantly presses the Central Bank for money, we as individuals, as governor and deputy governor, not only must keep out of politics ourselves, but we must keep the institution totally out of politics. And that we must pave, create, continue a tradition, a non-political tradition for the Central Bank. Keep it out of politics. Money should not, the currency of the country should not become a political football. It should not be subject to political games. And if you or I as individuals are involved in politics, then automatically Central Bank is put into politics and money supply and the value of money becomes subject of political caprice of various governments."

This was his advice to me, which I fully understood because then I started to read especially about great traditions of central banking in England. And this comes up every time. The Central bank is to be kept clear of political machinations. Mehdi had also said another thing, he said, "Once you play politics, Central Bank loses its independence."

For six years, I sat in my office quietly. Another thing he advised me was, "Look, no more trips to Washington." No more trips to Washington, because he believed, he knew that every time I went to Washington, I made waves -- while I was in the Plan Organization and so on. The news would get to Tehran before I returned to Tehran to explain what I did. And naturally in this way news was distorted and interpreted by various individuals in the way they wanted to. Mehdi knew what I was doing. Mehdi was with me on some of those missions and saw the results back in Tehran. He said, "No more Washington. You can travel to Russia as far as I'm concerned. If you travel, go to Europe, to the East..." As it were, for three years, more, although there was business to go, I didn't even attempt to go to the annual meetings of the Fund and the bank of which I was a member, you know.

Q. So who would go? Would Mehdi go?

A. Mehdi would go and as Deputy Governor I had to stay home. However, even when there was occasion, I didn't go for another reason. Mehdi was governor of the IMF and the Minister of Finance was governor of the IBRD or the World Bank. Jamshid Amuzgar, now Minister of Finance, manipulated through the cabinet to become governor of both. Well, some countries, South American countries have that tradition, others would send two representatives, two chief representatives, one as governor to the fund, one as governor to the bank, but they went as a group. In the earlier years Iran had followed this practice.

However, every time Amuzgar went, Mehdi went along, naturally, as second-in-command. I just didn't like that, I wanted the independence preserved. It bothered me tremendously. I just didn't like this. And later on, when I became governor, I refused to go, because of the same reason and sent Dr. Cyrus Samii, who was my deputy at the time. I remember Pierre-Paul Schweitzer, who was the managing director of the International Monetary Fund, wrote me a personal letter complaining to me of my failure to attend the annual meetings.

Six years I sat in the Central Bank. Six years I went through schooling. I began first by calling in Parviz Nabavi, who was an excellent chartered accountant, to come to my room in the early days with a blackboard to teach me how to read and analyze a balance sheet. And it was important for me. He would teach me what is a promissory note, various types of acceptances -- you know, I had to become familiar with banking terms. What's the meaning of overdraft bank guarantees, letter of credit, etc? What are the government accounts? They took me right along and Mehdi helped along. And I was a very good student because I really would listen; I was doing this because of a genuine desire to learn.

As deputy governor, I was in charge of economic policy and the economic research department reported to me. All policies regarding interest rate, expansion of money supply, balance of payments, foreign exchange handling, etc., were under my immediate direction -- in addition to

the training of the existing and future employees of the bank, which I had taken under my wing in spite of my other heavy responsibilities, because I loved that type of work. We instituted a program of sending people abroad for training on a regular basis. These people are now well-known individuals who spread all over, in all government agencies and in the private sector. They were selected in the most careful way. They were top-level students throughout the country; and they had already shown, proved themselves through national examination.

Then they would take a special examination at the bank, and after passing that they would be interviewed each separately by a group of us to see if they were the right type, how they looked at the world, if they were capable enough, if they were ambitious enough, etc. Anyway, at the end we had a group of nearly seventy people. There were seventy students of the bank in England being trained in accounting, economics and banking when I left the bank.

Slowly, slowly our policies paid off. The country began to pull out of the recession. We supported heavily the development efforts. But then again, in good time, we noticed that if we are not careful with monetary policy, prices are pushing up. On the other hand, we began to ease our foreign exchange regulations as oil revenues increased and as our foreign exchange reserves improved, we began to relax our regulations regarding foreign exchange. During this period of about 8 years, the Central Bank was held in great regard by the government and the public at large. It was a period of constructive support for development activity with price and balance of payment stability.

We used to have bloody wars, of course, within the government of Hoveida. As all governments, they were always thirsty for funds and we would refuse to do so uncritically. We couldn't just open the door of the bank. We would delay, we would negotiate, we would fight, we would refuse, we would take the fight right up to the Shah, you know. At the end of the day, we had done rather well. Prices kept their levels, foreign exchange reserves slowly built up, and steady economic growth was maintained.

And I remember one time, when we only had ten million dollars as foreign exchange reserves. I'll never forget we wanted a renewal of five million dollars from the Midland Bank in England, who had been holding the central account of Iran for over forty years. They refused us the five million dollars. And another bank, an American bank, came forward and gave us a hundred million dollars. When the telex came across, Mehdi held me and cried because of the fear of the circumstances that existed that we could not face our import bills and commitments; we could not face our due payments. Of course, promptly we removed our central account from that great, old English bank and shifted it to the American bank.

Constantly, during Mehdi's tenure (about six years) as governor of the bank, the Prime Minister wanted him to take other positions, higher positions, etc. and he was unwilling, he didn't jump into that sort of thing. And we would talk together. There were also bids for me to accept various roles. I didn't either.

During this time, among things that I did was the establishment of the Asian Development Bank. I was chief negotiator on behalf of Iran to establish the Asian Development Bank; and I became subsequently the head of the committee which prepared the statutes of the bank and finally

delivered the statutes of the bank in the Philippines, in Manila. And when the ministers all signed the charter and the bank was established, Iran suddenly pulled out of the bank simply because I think they were very poor sportsmen. The minister of finance's argument before the senate was that, "We went in there just because we wanted the bank to be located in Iran. Now that we've failed that, we shouldn't become a member of the bank," and we didn't. I felt that that was a failure after all those great efforts. And mind you, Iran had a great number of votes, but not enough; and finally, the reason it went to Manila and not to Tokyo, was because of Iran's decision to support a developing country as against Japan.

I had lobbied strongly for votes for Iran and we just had one vote short of getting the bank located in Tehran. We had to have a higher majority. We ranked first in the number of votes, but there wasn't enough to be a clear majority. And then we decided to tell people who supported us to vote for Philippines instead of Japan. It was a very interesting phenomenon because we thought really the bank would become an instrument of Japan, of Japan's trade policy and foreign economic policy and so on. And we felt that it's better for the bank to be located in a developing country.

We had many reforms during this time in the bank that related to the welfare of the employees. For example, we established a free health service, free in the sense that people were free to go to any doctors, and any hospitals they wanted to. Previous to that they had to go Bank Melli hospital and Bank Melli doctors. Now we simply produced a list of doctors and hospitals and made arrangements with them to serve the Central Bank employees and their families. This was a great innovation to be emulated later by other government agencies.

Q. This is the staff of...

A. The staff of the Central Bank. And that gave them great freedom of choice. And we noticed that the cost was the same. We didn't have our own hospital; so to speak, we didn't have to build a hospital. We used the existing hospitals. People were talking about building our own hospital; the old guard in the bank were insisting that we should build our own hospital. I said, "No. There are hospitals started by all these young doctors who have returned, let them have a chance." And this spread all over, this new approach spread all over and people began to emulate what the bank did.

The bank was a lovely place, it was a clean place, and it was a disciplined place. The bank was unlike other government institutions such as the Plan Organization. The bank operated well. People had discipline. It had a great tradition and almost a culture of its own.

Q. What do you mean it was unlike the Plan Organization?

A. In terms of politics, in terms of goings and comings, in terms of its bureaucracy, in terms of filing systems, in terms of procedures. There was a discipline that did dominate the bank, but this discipline was the famous banking discipline, by the nature and function of the bank this was possible. Whereas in government agencies, such a thing was not possible. I mean the bank was spic-and-span, so to speak -- you know, you walked in the corridors of the bank, they shined. And people were behind their desks, people were on time and worked properly.

We began also a new staffing pattern. We brought in new people, young ones trained especially for banking, for accounting, etc. And we began to provide support to the private sector. We encouraged some of these accountants we had trained to go out and open private accounting firms -- such as, you know, Nabavi who became senior partner of Coopers and Lybrand; Majzoub and several others. And then, most of the private banks and the industrial firms, like the ones that belonged to your family, were using those very people to produce balance sheets and accounts by the end of the year. So you see, that had a very widespread effect throughout the country.

Well, at that point in time Asfia left the Plan Organization, the Prime Minister offered the job to Samii and Samii became the managing director of the Plan Organization, Plan and Budget Organization. I became the governor of the bank. And at that time, it's interesting for me to tell you, the only thing -- and this is a comment on Samii -- the only thing that happened, I changed rooms. Nothing else happened. Yes, my signature appeared on the currency of the country, before that it was Samii's signature. But this was routine, as a matter of fact. Nothing happened in the sense that he had treated a deputy so well in terms of making him familiar with everything, that there was no big change and there was no change of policy, you know, as you would in Iran get people, new people coming in and changing things. The bank's function continued very smoothly right through; and what was more, there was a great deal more cooperation between the Plan Organization and the Central Bank, simply because Mehdi understood what was going on in the Central Bank and I certainly had a deep understanding of what was going on in the Plan and Budget Organization, and we could get along very well.

Q. With what thoughts did he go to the Plan Organization? What did he expect to accomplish? Did he also try to have some policies written or developed before he went to the Plan Organization as he did when he came to the bank?

A. I don't remember. We were already familiar with the development problems and he consulted with me on those aspects as well as on the appointment of his top-level assistants such as Dr. Moghadam, Dr. Abadian, and Dr. Hezareh.

Q. He brought Moghadam from?

A. From the IMF. Moghadam was at IMF. Abadian from the World Bank. These were my recommendations to him, these are people I knew. Abadian became assistant managing director for planning, Moghadam deputy head of the Plan. He brought the head of the bank's research department, Dr. Ali Hezareh, for the budget, to become assistant prime minister for budget. I'm not sure, as I look back, that that political post was a good choice for Hezareh and I want to accept partial responsibility for that recommendation. But I liked this man, he was decent, honest, and hard working. And he knew his stuff, he knew economics, to be sure. But he wasn't a budget man, he wasn't a negotiator, he wasn't diplomatic enough and he didn't do all that well, in my judgment, in the post of assistant to the prime minister. I don't know, I think Mehdi would say the same thing now. But among my recommendations to Mehdi, I think this is the one which, although both agreed, with regard to his competence, with regard to his character, with hindsight, we notice that he wasn't the right man for that particular job.

So Mehdi, after nineteen months there, couldn't make it, endure it anymore. Because as I said, now the Plan had become so political, every minister was attacking the Plan Organization. He had trouble with the oil company, he had trouble with the minister of agriculture, and other cabinet members since he always, in spite of his soft personality, insisted on accountability. He wouldn't approve funds just because the ministers wanted it. He just wouldn't approve quit-tenders because the ministers pressed for them.

Anyway, there was a great deal of opposition to Mehdi and at that point Mehdi felt he could not continue in the Plan Organization. And the Prime Minister saw fit to ask me to go to become the head of the Plan and Mehdi returned to the Central Bank. By the way, a man like Amuzgar applauded this decision saying...

Q. The change?

A. Yes. Amuzgar didn't get along with us all that well, with none of us. He admired us, but he didn't get along with us -- let's be honest. We admired him for some of his great qualities, but we just didn't see eye to eye. That's all there was to it, there was an honest fight constantly between Amuzgar and the two of us. This is Jamshid I'm talking, who later became prime minister, of course.

But I remember distinctly that on the occasion Jamshid told me, "Well, finally a real planner goes to the Plan Organization and a real banker takes once over again the management of the Central Bank." And Jamshid came to me, asking me to urge Mehdi to come back to the Central Bank after the Plan Organization. And Mehdi did, just because of his character, not because he thought it proper. He just came with the understanding that, "Look, I'll come for a short period of time because I don't want instability within the system, but I won't stay there very long. You find somebody else to take over the Central Bank." This time Mehdi stayed only for six months at the Central Bank, his second time there as governor.

I went to the Plan and Budget Organization and remained there nearly three years -- until 1973 when I quit. And Mehdi subsequently left the Central Bank after six months and became advisor to the Prime Minister and had an office in the Prime Minister's office.

And later, Mehdi accepted to become the head of the Agricultural Development Bank, which was a creation of the Central Bank of Iran which was a lesser job, when you consider his background, but he was very much interested in agricultural development as such. Later on he had become extremely well versed in agriculture. Although I was very critical of Mehdi for having accepted the job; and on some of the policies, especially aid to agro-industry and the problem of agro-industry which became, at the end, the biggest problem Mehdi had in the Agricultural Development Bank.

The Plan people knew me better, there was no doubt about it, from the bottom to top. I had this advantage over Mehdi. Although Mehdi knew the bureaucracy of Iran probably much better than I did. But that one organization belonged to me in some sense of the word, because I was there at the beginning of it, because I had put part of my heart into it, because I was familiar with the

individuals -- I knew who was who, I knew who knew how much, I knew who was loyal, I knew who was disciplined, I knew who played around, I knew who played games, you know. I could slowly, slowly begin to weed out the ones I didn't want, slowly replace the people I didn't want with other people that I had a great deal of respect for or I had come to know outside of the organization. But I worked with the same top management, like it has always been my policy, the same management that Mehdi had created.

I had done the same in the Central Bank. I hardly made any changes there. I hardly made any changes here, because these were my own friends. Also, these were people that I had recommended. The only difference was that Abadian after a year left and went back to the World Bank. I remember he had family problems, he described them to me with great emotion. Abadian was my friend and colleague from the first day we arrived in Iran, and he loved me, I had no doubt, but he had personal problems.

Dr. Moghadam remained to the end. It is very interesting that when I arrived in the Plan Organization, the people who knew me came to me, in my office, complaining about Moghadam -- because Moghadam was a very, very hard person. God knows he was hard, and he just couldn't tolerate incompetence. He would scream at people, kicked them out of his office. He was that type of a man. He would call them idiots, in just so many words. I remember Moghadam calling them idiots and they walked to my office, with tears in their eyes, saying "Dr. Moghadam has called us idiots!" This is really very interesting. I said, "You probably are idiots." One day, as they streamed into my office, I told them, "Moghadam is the real head of this organization. He runs this organization. What he says, you may assume to be my words." And believe me, within a week I never again had any complaint about Dr. Moghadam. It was amazing. They now had learned about the extent of my love and respect for that wonderful, competent and patriotic person and abided by him.

And this man in the Plan Organization put in so many hours, God knows. He looked at every project, he checked the figures, he checked the logic of things, and he checked procedures. He wanted to be sure that money was not just being thrown around. And on the military. He'd made an agreement with me, he'd always send the military projects -- you know he was the man who signed the projects, I did not. The military projects were sent to me, or certain projects he didn't like, he didn't believe in -- let's put it that way -- were sent to my office with a little note handwritten on the top saying, "Please, would you allow me not to sign this project. However, if you have any good reason that makes you unable to sign it yourself, return it to me and I shall sign it. Please tear this note and throw it away." I always did, and I never put the burden on him. And where I wanted to make a stand, the same as he did, I simply took the project to the Shah or the prime minister and refused it. And there were many cases like that, absolutely refused.

The very famous case of microwave -- one of the reasons why Mehdi left the Plan Organization is this case of Northrop (do you remember), the famous case.

Q. Which was what?

A. Microwave throughout the country, this large...

Q. For communications?

A. Communications. This was almost a project without ceiling. We had started with, I don't know, an eighty million dollar project. This eighty million dollars had now become one hundred-twenty when Mehdi left; shortly it was becoming more. My boys made an estimate that by the time this project is finished, it will be \$360 million dollars and it will not be finished by '72... Remember, the Shah wanted this because his reasoning was that, "By '72 the British will be pulling out of the Persian Gulf and if we did not have this whole microwave system, he could not really be controlling the Persian Gulf as was his intent."

So among the first reports that I ever gave to the Shah, I said, "Sir, this project was eighty million dollars, it's now becoming one hundred and twenty. Now I appear before you in the first month of my service in the Plan Organization. I want to tell you, Sir, it will be finished in '75 or '76, no earlier; and what is more, the cost will be well over \$400 million dollars." When the project finished, it was '76, the cost had exceeded \$400 million dollars.

During one of my meetings, I found an excuse to get rid of this project, that is, not to have any responsibility with regard to this project. One of the men who was sitting, one of the men who represented Northrop, they were negotiating with me, a large number of people -- Ministry of Post and Telegraph and these people, all these Americans, and my people were present and I was chairing the meeting. One of the Northrop people burst out, "But your instructions are to carry out this project the way we are proposing it."

Q. Who said this? One of the Americans?

A. One of the Americans. The minute he said this, I got up and I left the room. They ran into my room to apologize, but it was no use. I went to Alam and said, "Mr. Alam, this project cannot stay in the Plan Organization anymore and I refuse to deal with these people." Alam said, "Send it over to the Ministry of Court." I wrote a formal letter and sent the whole project to the Ministry...

Q. Ministry of?

A. Of Court. To the Ministry of Court, believe it or not; because Alam was involved in this, or was asked by the Shah to intercede. And when they were saying, "You were instructed," they meant Alam, because Alam had talked to me about it and I said, "I don't know about it, I've got to look into it, I've already given a report to the Shah about it and just cannot go on like this." And constantly I talked to the Prime Minister, who really was having trouble in this connection. And the Prime Minister approved of the transfer. You know, of course, before I transferred the project to Alam, I told the prime minister that, "This is not a project for us. This is too political." I didn't mean to say, I didn't want to say it's corrupt also. God knows, there were all kinds of manipulations in connection with that project. This policy...

Q. How could it be transferred to the Ministry of Court when you were paying for it? Which meant...

A. No, didn't matter. Responsibility for assigning the project, we could assign, the Plan Organization under the law I could assign full responsibility of any project to any agency. This was law, had allowed us freedom to transfer the designing, the tendering, and contracting of actual execution to any ministry. I had that right. In this case, of course, when I say sent to Ministry of Court, it meant Ministry of Court and Ministry of PTT, Post and Telegraph; because they would become, they were the real, they would become the staff and Alam simply as minister of Court presided over this business, you know. And then two ministers would take responsibility, would send the project up after they had approved it and signed it, and in that way we could make allocations. As it were, we did make allocations. Plan Organization did make allocations for the project. But we refused any responsibility for or association with the project.

I used this practice in many other cases where the project stunk and Dr. Moghadam would send me a note on it. I'd simply say transfer it to the Ministry of Industries -- I didn't want a thing to do with it. You see, let me be honest with you. This was out of recognition that I could not single-handedly take my sword and be David against this Goliath of corruption, not necessarily all corruption, but bureaucratic interest, or political interest. I couldn't single-handedly fight this. When I knew the prime minister plays a game -- he did play the game and that with great skill -- he would...the only thing I could reasonably do was to make enough noise against the project and dissociate myself and the Plan Organization from it.

On another occasion, a similar project which had started with thirteen million toman and now had reached four hundred million toman, I mean something like this, within a couple of years -- the Prime Minister would tell me, in front of some of the interested parties who were standing there, he would say, "I told you to approve this and send it over. Why haven't you?" I would look at him and say nothing. But as the interested parties left and we were alone, for example, walking -- I remember in this particular case it was in the airport and we were walking towards the Shah's plane to receive him -- he would turn his head and say, "Khodi, Khodi, don't ever do it. Don't do it. Don't do it." In other words, the Prime Minister, whom I've always considered incorruptible in a material or monetary sense (by the way, not so conceptually or idealistically), didn't like this type of thing going on in his administration. That is the gospel truth. He didn't want these types of projects to be associated with him or his government.

Yet, he faced the tremendous vested interest, a powerhouse which was behind these projects -- great powerhouse which pressed for allocation of projects, for example, among powerful countries such as the United States, the Soviet Union, England, France, Germany as well as among the vested interests in Iran, the group around the Court who each had interest in some project and he had to deal with them in some way. The prime minister didn't like it a bit, however. And I'll repeat, that to the end he didn't want them.

But he played his game, threw it from one place to another as a football. I had learned that game too. I would not be involved in those projects and I simply rejected them or transferred them to the willing ministers.

Finally, I passed a new set of procedures regarding tendering. The position was this, if a minister who is responsible to the parliament writes and gives reasons why there should be quit-tender and says at the end of such a letter to the Plan Organization that he will fully accept the

responsibility, and he does consider a quit-tender in the best interest of the country -- and I developed a set of wording for that -- then the Plan Organization should immediately turn over the responsibility to the ministers who were, after all as I said, politically responsible to the parliament and to the Shah. I wasn't the only man there to make such decisions. After all, the ministers had responsibilities also and we could not assume that we in the Plan Organization were the only honest people in the country.

Another thing, within a short period of time a line or queue of six months long of people waiting to be paid for work already done was reduced to three weeks. And that was another achievement, because I was familiar with this problem from way back, always the people who were to be paid by the Plan Organization had to stand in a queue and that queue was an important cause of corruption, an instrument of corruption, of the Plan Organization people. You know, they would take the application from the bottom of the pile and put it on the top and for that, they'd get paid - - little guys in the financial section.

On the budget, on the military budget, obviously we didn't have very much power, we couldn't do very much about it. I used to take the various cases to the Shah and argue. But you know, they had already done the arguments themselves in front of the Shah, that is the military, and the budget would simply be instructed upon us. It wasn't a situation that we had thought of earlier, that by being in control of the budget, we can influence the military allocations; and this is the heart of the matter when we earlier argued (and I've so recorded) that the budget should come to the Plan Organization because the planners can influence allocations. However, although we were unable to influence much of the military allocations -- and I did my best -- I went around to the generals, I talked to them...

Q. How did that idea work, the military. How were the military projects different from civilian projects in terms of the procedure and budget allocation? Did they follow the same path or were they different?

A. No, no. The military had its own separate procedures, separate laws. They had a separate law even for borrowing money. They did it directly, didn't come to us. Mehdi Samii as a person (who was the governor of the Central Bank) was the only advisor that the prime minister and the Shah insisted should look into this borrowing business of the military. And Mehdi, at the end, would simply write his reports and give his position, but slowly, slowly the practice was discontinued. And then Mr. Toufanian would go directly to Washington to borrow or to banks and borrow funds for his purchases of various...

Q. Wouldn't the Central Bank or somebody have to guarantee those loans. Wouldn't they come into the act at some point?

A. You see, in the Central Bank we had instituted certain regulations. The Central Bank would never, never guarantee the signature of the government because of reasoning that it is the Central Bank which is a part of the government and not the reverse. So if the Ministry of Finance guaranteed an agreement, then the Central Bank would not guarantee, anyway it was the guarantee of the government of Iran. However, at the end, the Central Bank had to stand by it and honor the government signature.

Anyway, the military budget really became very bad after the oil revenues increased with the OPEC 1973 price hike. Not all that bad before. And there were people in the military like General Khatam who understood our arguments.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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NARRATOR: Khodadad Farmanfarmaian

DATE: December 20, 1982

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 11r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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I remember Khatam telling me, you recall, he was the Commander of the Air Force and he was probably the most powerful general among them all. I remember Khatam telling me, "Look here," (Iran had already ordered sixty F-14's or F-18's) "they are coming. Do you expect me to fly these off my own roof? I've got to have three or four airports throughout the country, build three or four airports for these purposes. If I build the airport, I have to build a town to house the officers, to house the technicians, to house the foot-soldiers who deal with this sort of thing. So allocate." He was tough, he said, "Look...."

Q. I still don't understand how this worked. Would the military get a chunk of the total budget, let's say thirty, forty percent, and then do whatever they wanted to?

A. No, no, not at all.

Q. Or did they have to go project by project?

A. Each presented the case and the real hearing was before the Shah, and only the military, maybe the Prime Minister would be allowed, in the early hearings. But even rarely that. What was sad, was that each force presented it separately to the Shah. There was no financial coordination, in other words, among all military activities. And I think if it was, one could have sliced off a bit of these military expenditures. There were many duplications, there was no doubt in my mind about it. We would see them afterwards.

Not only they presented the military development and hardware budget but all procurement, expenses, all increases in salaries to the officers and to the conscriptees were presented and approved in that manner before the Shah. For example, the government may be increasing salaries of the regular civil service by five percent and the prime minister would send instructions. The military people would come to the Budget Bureau of the Plan Organization and ask for a fifteen percent increase because it was approved by the Shah.

We also found a trick which would be to cause a financial crisis in the last night of the budget hearing before the cabinet by showing total deficits for which no source of finance would be available and force the cabinet and the prime minister to appeal to the Shah to allow certain cuts in the military budget.

Q. How would these individual decisions fit into the general allocations of the Plan and the annual budget? How would these work?

A. It's a very simple matter. It was very simple. Once the Shah had approved, they would formally be sent to the Plan Organization, and they would say so on the paper, "the budget has been approved by His Imperial Majesty, the Shahanshah, the Commander-in-Chief of the Armed Forces." It would come to us. We would examine them, to be sure, we would read them, to be sure; but we knew we couldn't do much about it.

As I said, once in a while, I'd take the budget and run to this general and that general and say, "Now, look, for Christ's sake, we haven't got enough money for education, agriculture, etc. Do something! Help us. This is your country too, you know." There were people who listened to us. But once the Shah had approved, they were scared to do anything -- except one or two persons. Khatam had the courage and would say, "Look, go tell him to cut down on the number of the planes and I will cut down on the number of my airports, my buildings, and so on." He said, "If you succeed, I don't get hurt, I don't mind it at all."

Q. So this was at a stage when you were preparing the budget for the following year? Issues would come up.

A. That's right.

Q. But once the budget was approved, would there still be additional expenses coming in which were not in the budget and therefore you had to...

A. At times, at times this happened. But don't forget, the government also had the right to borrow funds over and above the budget under separate laws. Also their deficit -- if they anticipated borrowing, let's say, a billion dollars and they fell short of it by 200 million dollars, that would have come out of the regular budget in the middle of the year.

Anyway, we also had developed a technique of causing crisis the last night of the budget -- famous tricks -- showing that agriculture had nothing and all the ministries would be going to the Shah saying, "Look, no money." I go to the Shah and say, "Sir, where do you wish me to get the money from? I haven't got the money to allocate to agriculture, to electricity." Do you remember later on in Tehran we had an electric shortage?

Q. Yes, summer of '77.

A. I remember so distinctly, the minister at the time was Dr. Iraj Vahidi who was arguing and saying, "We don't have standby capacity. In the next two, three years we'll run into shortages." And my own men, my own men who had studied the electric program, the electrification program and the capacity, would sustain the ministry's report. I would turn and say, "Sorry, we have no money and I cannot allocate for you." And as it were, it happened. We saw his prediction come true. Of course there was no money. How would you allocate?

What had happened was that, as a result of the military budget, the rest of the budget had become a residual, you see. The military budget ate up a considerable amount. The military had an insatiable appetite. My God, at the end of the year they were just hustling to spend the money so that they would not be accused of not having "absorbed" the budget that they were given. There were so many examples of this.

By the way, on that suggestion of Khatam that I spoke of earlier, I went to the Shah and said, "Sir, why don't you cut down on the number of F-14's?" He looked at me as if I was a naive boy, you know. I knew he wouldn't, I knew the reasons. I said, "Sir, do you know with the money of even one of these F-14's, we can build so many clinics and hospitals throughout the country, and we haven't got the money to do it now." He said, "When I think of..." (he's dead now and I will quote him to the exact words), he said, "When I think of the dangers that are threatening this country from outside." Funny enough, he didn't say "from within," Khatam then continued, "I say to hell with clinics." These were his words.

I guess in a way, right or wrong, it was a true perception he had. I mean, it was his perception of things, that's what I want to say. It was his perception that there was danger. He was paranoid when it came to the security of the country and a threat to the integrity of the country. He was really paranoid. He thought there was a constant threat to the country and I always wondered from where the hell this threat was coming -- if it came from Russia, well, we couldn't do very much about it anyway.

And Iraq was no match for Iran. We certainly have seen it now, during this war with an army which is totally destroyed, what they can do to the Iraqis. Pakistanis were no threat, they were worried about India and the Baluchis. And the Turks, certainly, were no threat to Iran, never had been a threat to Iran, they were a friendly country. Afghanis..? I didn't know really where this threat was coming from. But you know what he said? He said, "Where you make your mistake is to think that our borders are the borders that are shown on the map. Our borders extend to the horn of Africa." These are the words of a man who's dead and I repeat them.

Q. What do...

A. No, no. I'm talking about his concepts.

Q. But what did he mean by that?

A. That is, that is the Horn of Africa. Later on, we learn from Michael Ladd, for example, in their book *Debate* where they talk about the Safari Club arrangements, whereby the United States would in fact use Iranian and Moroccan forces as well as other nationalities would be used as a counterforce against Russian surrogates like Ethiopia, Angola and other places in Africa. There were these understandings that we didn't know about; of course we knew nothing about these things.

It wasn't until later on that we learned how much aid the Shah had already given, for example, to Bhutto to put down the Baluchi insurgents.

Q. How would he give this aid without you knowing about it?

A. These were secret instructions to the military and SAVAk -- funds along with it. Our planes would, in fact, go, our forces would go, our green berets would go -- just like in Dhofar. We knew about Dhofar because it took a long time and they said that "Our army was being trained that way." Vietnam the same way, we sent forces, not very much. But certainly to Pakistan we did, we supported Bhutto in putting down the Baluchi rebellion. That was a bloody affair, it's only later on that I've learned about this. It was a bloody affair and Bhutto could never have done it on his own, you see. But let me also quickly add that the Shah did this on condition that Bhutto would turn around and give economic aid to the Baluchis afterwards and that the Shah would also support and give aid for Baluchistan's development. That went along with it also.

Well, the Plan Organization. Another job was the preparation of the Fifth Plan -- you've seen it. This was a big problem for us. Time was always short, information was always too little; but we did produce a respectable Fifth Plan. The same group of people who had started in the Economic Bureau, now at a higher level were in charge of the preparation of the Fifth Plan -- they were well experienced in the art of preparing a plan.

Q. Same people who worked on the Third Plan?

A. On the Third Plan, now of course at higher levels, at the level of undersecretary now, they were in charge of handling this. This is what I want to say to some people who thought the Economic Bureau was useless. The same people now prepared the Fifth Plan without foreign advisors. Daryoush Oskoui was at the time in charge of the preparation of the Plan. And the Fifth Plan was a good plan. It did pay a great deal of attention to problems of disparities within our society: urban/rural, to inequalities as between income groups; proper distribution of services; benefits of development within groups throughout the country; and of course the regional aspects.

Now, among the things that I started to do, and unfortunately it never caught on, was to regionalize the development process. And I started visiting all the various provinces, specially those that were more underdeveloped -- such as Sistan, Baluchistan, Khorasan, Fars, and Khouzestan. We used to sit and talk with the local people about their needs and problems; and I had established offices in these places, offices of my own representatives who would consult the local people, get their views for the Fifth Plan purposes and report to the planners in Tehran who would in turn allow for the local and regional requirements.

The ministers were dead set against this approach. They insisted that in a parliamentary system, it's the minister who is responsible to the parliament and it's the minister who makes allocations to the provinces and that the governor of the province and the local councils have no parliamentary authority. Even if they want to do something, they have to come to ministers and agree with the ministers.

So we used a legal trick again. I used the Plan Law which allows the Plan Organization directly to allocate, regardless of the ministry, both in terms of projects and in terms of their geographical location and in terms of appointing the managing authority. So I would appoint the provincial governors as my own representatives to carry out the projects.

Mind you, I started small on a whole batch of local projects -- about sixteen million toman (just over two million dollars). And I went to the Shah and said, "Sir, look. I want to give two million dollars to these poor people to do on their own small projects, to get some experience, and these ministers are fighting me." He said, "Go ahead and do it, don't pay any attention to them." So I did. But the amount was small; my plan was, as it was provided for in the Fifth Plan, to increase this type of local allocations substantially.

Then came the presentation of the Plan in Shiraz. The Plan traditionally was presented to the Shah with all the cabinet members present before it was sent for parliamentary approval. For this purpose, I went to Hoveida to consult regarding the arrangements, the date and the location for the formal presentation of the Fifth Plan before His Majesty. Hoveida was the formal head of the Plan Organization as Prime Minister and always made sure that, before anyone else, he was informed of everything that happened in the Plan Organization.

May I open a parenthesis? Once I told Alam, "Nobody knows better than you" (Alam was then minister of Court, very powerful) "that every time you ask me to do something, I say gladly but I first have to tell the prime minister." I mean, I was really disciplined, I kept that line and I always played straight with Hoveida.

Anyway, I went to Hoveida, like always, and I said, "All right, who shall we invite to the presentation in Shiraz?" We wanted to be out of Tehran and after all, it was a province, it was nice also. We could use those tents that were put up there for the 2,500-year anniversary of monarchy. He said, "What is your recommendation?" I said, "I'm thinking in terms of about twenty-five, twenty to twenty-five people to be invited outside of my own staff, before His Majesty to sit around and discuss the Plan in full." I was thinking in terms of a sort of seminar-like approach to the whole thing, where we'd really discuss all the important matters at some length, where people would be free to speak their mind. This meeting, I thought, should be closed to the press and the media -- later on we could give to the press a full briefing. He said, "No. All ministers, all undersecretaries...all undersecretaries, all press should attend this meeting. And all agencies of the government, heads of agencies and so forth." I said, "You can't handle it this way, it's very difficult to handle." He said, "You make your presentation, let them say what they want, let them hear, let everybody hear. This is a democracy. Let the press be there. Let them all hear." I said, "As you like, sir." So I came, I collected my colleagues and a week in advance we moved to a hotel near Takht-e-Jamshid and started our preparations.

Q. Wouldn't the Shah be consulted on this question of who should be there?

A. I presumed the prime minister, in his ultimate wisdom, knew what he was doing. Whether he did consult with the Shah or not. I do not know, I think he probably sensed that the Shah liked a bigger show, naturally. Or he may have discussed it with the Shah.

Q. But you didn't?

A. I didn't. I had my instructions. I took my colleagues a week in advance to Takht-e-Jamshid. We set up a whole organization for the handling of everything related to the coming event: how to receive ministers, how to handle housing, the whole works. Ali-Reza Radpay was in charge and did an excellent job. We made the seating arrangements as the prime minister wanted, where

I sat with my staff on one side and the whole of the government sat on the opposite side. I insisted that the prime minister should sit on our side, because after all he was the head of the Plan, by law; and he was presenting the Plan as the Plan of the country. He said, "No, I sit with my government." The Shah sat in the middle. We sat on this side as if we represented an opposition party facing the government and the Shah chairing as arbitrator between two opposing parties.

Anyway, before the meeting I had rehearsed my staff very carefully, checked their presentation of each section, timed them and edited the language and the wording and prepared answers to thorny questions we knew the ministers were going to raise. It was just like clockwork. It took a week to do it and we tried hard to put on a perfect show. And God, the only trouble was that it did turn out to be a perfect show for us, but not for the government. When we made our presentations, it was very clear, there was no nonsense. The division head would get up, make the presentation of his sector in a short time, waiting for questions to be asked, ready for details.

We wrote a speech of thirty minutes for the prime minister, gave it to him and he gave the first speech. My own speech was one-and-a-half minutes. I still wanted him to play that role and he did play that role from the other side. He gave all the concepts and the content of the Plan, to be sure. In my case, I just simply thanked the ministers and the people who had worked with me and started presentation of the Plan with my people who were ready for it.

And then the ministers would ask questions. The ministers weren't prepared, the undersecretaries weren't prepared, they didn't really know well the subject they were talking about. They had not done their homework. We were always ready for them, after all this was our business, you know. Often the Shah was irritated because the minister and their colleagues missed the point or went off on tangents. He was sitting there, comparing the two groups on either side. On the second day the Shah turned and said, "Look, before we get started..." (just like that, it's on tape, it's on videotape). "Before we get started," looking at the ministers, like this, shaking his fingers at them, "Talk, but don't talk nonsense!" He used these words in front of the press. The whole of the press was there. I have a picture of Hoveida, he turned white. Dr. Eghbal after this meeting got up and held me and kissed me.

Q. Why?

A. I'll explain to you. He sort of carried me with him. Hoveida began to ignore me. Two days later the whole meeting finished, again on the same basis. Believe me, there wasn't one thing that the Shah, perhaps one thing he questioned was our estimates of the oil revenues over the Plan period. I said, "Sir, these estimates are supported by the Ministry of Finance, the prime minister and the National Oil Company. We have already reported to you on that." He said, "No, you don't know. It's going to be much, much more." That's the first time he gave us a notion that OPEC was coming about. We didn't know yet. Total revenue estimated was twenty some odd billion dollars for the five years. As it turned out, you know, the plan become sixty-nine billion dollars, seventy billion dollars when it was revised 6 months later after the OPEC price increase.

Anyway, we went home. As soon as I arrived home, a very famous man who is alive, Mr. Bagher Pirnia (who was governor of Khorasan and previously governor of Fars).... Apparently

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he was in the Court, he had come for some business from Mashhad and had seen General Ayadi who was very close to the Shah and was present in all the meetings. Ayadi had intimated to Pirnia, "Our next prime minister is going to be Farmanfarmaian." He runs to my home, he wouldn't come in. Opens the door, he says, "I've got just one message for you, you're going to be the next prime minister." I said, "No, you're wrong I'm only going to last in this government one more week."

Dr. Eghbal kissing me; Alam paying homage to me; Ayadi, the doctor and closest person to the Shah sending the message by a man of that caliber and rank -- this all meant trouble. Obviously Hoveida was thinking that my whole of the Plan presentation was political in design with a purpose of setting aside his government. And it was exactly to the contrary. I didn't want that show, it was he who wanted the show. And as circumstances turned, we made our presentation, we were professionals and knew how to organize ourselves well.

Within the day Hoveida called me and said, "Bring me, the draft law for the Fifth Plan." I said, "Sir, it's not ready. You set a deadline, the deadline is not finished until another three weeks." He said, "I want it tomorrow." I said, "Why don't you ask Asfia." On my request, he had appointed Asfia as the chairman of the committee which was to prepare the law with Dr. Moghadam and Oskoui as its other members.

I sent the incomplete draft of the law and the next day I went to him at the appointed time. He threw the law at me. He said, "This is not what I want. What is this?" I said, "It's the work of the committee that you have selected." Then soon enough I saw some ministers coming in. We all sat around, Asfia, Amuzgar, Ansari, Rohani, Madjidi, several others; and I had taken Dr. Moghadam with me, because he was in the committee. He said, "This is not what I want. First of all, I want you tomorrow to send five hundred people from the Plan Organization to the various ministries. The problem is you have too many staff. Secondly, send the budget from Plan Organization back to the Ministry of Finance. Third, disbursement functions go to the Ministry of Finance. Fourth, all the borrowing, international negotiations as of now go to the Ministry of Finance."

Q. This is in front of the ministers?

A. This is in front of all of them. I looked at him in disbelief and said, "You think..." And I was in a state of shock and completely numb, I said, "Do you think you can use me to do these things... with my hands? Mr. Prime Minister, you have two choices: first, either I now, right now pack up my things from my office in the Plan and walk out; or, because of all the years that I have served you and we have been colleagues, I will wait a week or so before you can select somebody to take my place."

This time, when I told him he had only two choices with me, he suddenly said, "Why do you get so excited?" Hoveida said, "Don't get so angry." By the way, at this time I had a lump in my throat and I had become very emotional. With his head he gestured towards the Shah's picture which was hanging in his office, you know, making like this with his head, indicating towards the Shah's picture...

Q. That he wants it.

A. To indicate that it was not his fault that this was being done, implying that this was the Shah's desire. I said, "Sir, if these things are the order of His Imperial Majesty, would you please...", now I'm saying this loud for all to hear, "would you please tell His Majesty that Khodadad is unable to carry out His Majesty's orders." As soon as I said this he looked completely relieved. He said, "Now, that is a different story. If you're unable to do it, that I fully understand. I mean, if I were in your place too, I would be unable to do that."

Hoveida requested me, "All right, go and stay in the Plan Organization then until I decide on somebody else." But while I was waiting in the Plan Organization, during those bitter and difficult days, he sent after me twice to visit him in private. We were tête-à-tête and drinking whiskey together. And funny enough, he gave himself away in the first meeting, he said, "Khodadad, why do you have a fight with me?" I said, "I have a fight with you? I have no fight with you. What did I do? I thought you'd be proud of my presentation." He said, "Do you really think you're as powerful as Ardeshir Zahedi? I removed him. Surely you have no illusions that you are anywhere as powerful as Ardeshir?" I said, "I cannot understand what you are talking about. I have been loyal to you, I have worked with you. There has been never a situation where I did anything behind your back or to comprise your position and at the cost of being unpopular with even the minister of Court, you can check with him. I always reported to you everything that I felt should be reported to you. I have gone by your instructions. How is that you think that I am a competitor with you?" He said, see he would change the subject, he said, "You know how much I love you. You've been my friend, I trust you..." and so on, "why don't you stay on?" I said, "Look, it is broken. It cannot be helped anymore. It's finished."

Second time again he urged me; he was preparing himself for the Shah, in my judgment. And said the same things, pressed me, then sent Asfia to my home, because he knew I liked him. Like Dr. Amini had also sent Asfia the first time I resigned. Again, I told Safi, "You've had experience with me. You know I wouldn't do it. You know I wouldn't go back. Why would you come." He said, "Of course I know you."

Q. Why didn't you do it?

A. Then Madjidi came. Madjidi came, said, "Khodi, please. I'm doing so well as minister of labor. Now you want me to the Plan Organization and you know, I'll get messed up there. Please, stay on yourself." I said, "No, Madjid, you also know that once I decide to resign, that's it and I won't go back."

And one day, about a week after all of this, Hoveida called and told me Madjidi will be the man, "I'm going to bring Madjidi next Wednesday..." (or Thursday, I forget) "to introduce him. Please be there." I said, "Gladly I'll be there."

I had refused to go to the Shah during this period. That week I went to the Shah with a copy of the Plan. I remember reporting to him, "Sir, this is translated into English, being sent to Princeton, to Harvard, to all these universities and institutions abroad..." copies that I cannot find now, you know. It's odd enough, I don't know, maybe after I left it wasn't sent, I don't know. And I simply discussed general matters; I did not discuss with the Shah anything to do with my own person. At the end, when we got up and he shook hands with me to say goodbye and he was walking towards his private door to go out, and I was walking through the opposite door, I said

aloud, "Your Majesty has allowed me to leave the Plan Organization." He suddenly made a turn about, came back very close to me, stood straight in front of me, looked into my eyes and said, "But I'm told this is of your own choice and that you are pressing for it." I never said one word, never said one word. I just bowed to him and backed out, slowly, slowly backed out of the room and he looked totally perplexed and he simply walked out and I walked out of the room.

And that was the interesting story of Plan Organization. Madjidi was brought there, I stood by Madjidi, I praised him as an earlier colleague, as a friend that "You people in the Plan should be very happy to have a man like Madjidi, because he is a Plan man and that indicates how His Majesty and the prime minister have deep interest in the Plan Organization and the appointment is indicative of their great interest in the Plan Organization." I went to my home from there.

The next day I went to report to the Central Bank (because I was still the employee of Central Bank), requested a leave of absence from the Central Bank, and they gave me the title of advisor to Central Bank on a leave of absence. Then I went to England just to be away from the bitter situation. Shortly after, the business of the Iran Investment Bank in London came up and Mehdi Samii came to England...

Q. Business of?

A. Business of becoming the head of Iran Investment Bank in London. Mehdi came to England and we talked to the various banks -- Midland, Bank of America and so on -- who were interested to join Iran to establish an investment bank and I was supposed to become the head of that bank. But on the basis of my discussions, I found that they would only give me authority to sign for two hundred fifty thousand dollars and I said, "I want authority for a hundred million dollars. You only look at the balance sheet at the end of the year and make a decision if you want me or you don't want me. But as long as I'm in charge, I want to make the decisions and I don't want to have to phone you from San Francisco to Tokyo every time I want to make a decision. I'm perfectly willing to have an executive committee sitting here, I'll go and reason with them; but when I make a presentation, I know how to prepare it and I know how to reason. But you are not going to limit me to two hundred fifty thousand."

Secondly, I found out that my net salary, unless I played tricks with taxation and so on, would have been around one thousand pounds. Although they would have paid me more, but the British taxation would have taken a large percent of it. What would have been left would have amounted to about thirteen hundred pounds a month, to be exact. And that was nowhere enough to pay for my living expenses in London.

By the way, the week before I left the Plan Organization, this story I want to be recorded. My brother, who is now in jail, Ali-Naghi, who was the head of the Plan Bank, had come to me the week before I was leaving the Plan and simply reminded me that my overdraft with the Plan Bank -- this is where our salary was deposited and therefore we had the right to overdraft -- had exceeded the permissible ceiling, it had reached the high figure of two hundred sixty thousand toman. I had used the money to complete my house, I needed the money because I had done all the borrowing I could, so I used the overdraft and it added up. I said, "Will you please write me a formal letter; because you are the head of the bank, you must tell me this." He refused to write the letter.

That week I called Cyrus, another brother. I put the problem to him, didn't tell him that I'm leaving the Plan Organization (I kept it secret). I said to Cyrus, "Look, I owe this money and it must be paid. It's too much responsibility for our brother there and it is improper for me to have such an overdraft." He said, "How many days do I have?" I said, "Two or three days, maximum a week," something like that. I said, "Go to other brothers and ask them all to contribute." So Cyrus goes around and within two or three days he comes back with a check, which not only covered my total overdraft, but left me five thousand toman in there just to be able to, you know, use for the next months before I could get any new income.

That was my financial situation. I didn't even own my house at that time -- I want this as matter of record -- and when I left the government I burdened with a large debt. My house belonged to the Central Bank then for the next several years (this is 1973 I'm talking about) and remained in the mortgage of Central Bank.

When I rejected the offer to head the London investment bank and I reported the matter to the Shah, then the Shah allowed a request by a group of industrialists who had set up Bank Sanaye Iran, who apparently had gone to the Shah and asked his permission for me to be the chairman of the new bank and he had agreed. So I agreed to become Chairman of the Board of Bank Sanaye, with the provision that part of my time would be free to do consulting, to write, or do whatever I wanted to; and they allowed that and it was the first time I ever made some money after all the years that I was in Iran.

That was the reason I can stay in Europe today because I did consult with the Japanese, English and Americans firms. And my consultation was that I studied and provided them with budget information, general economic information, project information and guidance, etc. I wasn't an influence peddler, I wasn't a dealer or five-percenter, I wasn't running, begging this minister or that minister in any way. But I had five or six firms who paid me a retainer, each between three to five thousand dollars a month over these years; and this money was all deposited abroad -- I especially say this because I want this to be recorded -- and this is the money that was collected and this is the money on which I live today. Never did I transfer any of my money or wealth from Iran, except as I traveled and bought small amounts of dollars or traveler's checks or except when I was in government and took missions and the government paid on the basis of its regulations; and the records of these are all very clear.

And that was sort of the end of my career. I remained there until after the revolution as chairman of the bank, although I wanted to resign when that list came out, but Mr. Mahmoud Khayami, the majority shareholder of the Bank Sanaye, begged me not to resign. He said, "These are bad times..."

Q. Which list is this?

A. Do you remember the list that was prepared and circulated by a fictitious group from Bank Markazi and listed people who transferred funds abroad? After I saw my own name on the list, I went to the public prosecutor, I said, "I'm here, I want you to interview me and I'm willing to answer any question you have in order to be cleared." And he did clear me and in fact, on the radio when they announced the result of their investigations, my name was taken off that list.

I stayed in Iran about a year after the revolution, thinking that I had done nothing and nobody is going to bother me. I was wrong. They sequestered everything I owned. I was taken to jail twice, I was under house arrest for four months or so; and then finally, when the American Embassy was taken over, I was informed that they had found out that I was chairman of Iran American Society and they had found an article I had written with my picture in it in the archives of the American Embassy. So I was advised and urged by the very people who were pro-Khomeini to run away. And I did run away.

This is my story.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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NARRATOR: Khodadad Farmanfarmaian

DATE: January 5, 1983

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 12r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. I'd like to ask you to describe for us your memoirs regarding the beginning of the revolution, as you saw it coming: when did it occur; what thoughts crossed your mind; what did you try to do to play a role, perhaps, in preventing it; and anything else in this regard that you'd like to say.

A. Well, it's extremely difficult to pinpoint a time that one begins to feel something's happening. At best I can be vague about this. I remember even in 1976, '77 -- certainly in '77 -- when I moved around town, around Tehran, I felt the atmosphere was extremely tense. You felt electricity in the air, you sensed imminent danger.

You must remember, if I may just refer to some physical phenomena, the pollution had increased to a maximum. The streets were extremely crowded. The traffic was impossible. I remember the traffic lines from Teheran to Shemiran, let's say from my own office (which was located at the corner of Takht-e-Jamshid and Sepahbod Zahedi which is fairly central but in the northern part of the town) to my own home, which was in Elaine -- I suppose it was about six miles altogether. Very often during the evening rush hour, when we were going home, the line of cars extended all the way from the town side of the Jordan Boulevard.

Often, as I sat there waiting for the traffic line to move, I looked at the faces of other people in the cars waiting and I saw a tremendous amount of tension. I suppose at some point I noted a departure from what was before. All this was cumulative anyway. I sensed a great deal of, how shall I put it, anger in the very eyes of the quiet people who were sitting impatiently behind their wheels and waiting for the traffic to move. You saw incidents such as people screaming at each other, people cursing, insulting each other when somebody was trying to move in front of them or something -- very regularly.

I remember I was talking to someone, saying, "It seems to me the government has stopped functioning." Because letters would go to the government, but even when you were writing the letters, you weren't expecting an answer from the government, you knew an answer would not come. Significantly enough, you may remember that later on, when Amuzgar was prime minister, he sent a circular to government departments that all letters must be answered within ten days maximum or something of this sort. It was true.

Nobody cared, or the burden of the duties and the problems, if you wish, on the administration and the bureaucracy was so heavy that it had come to a chaotic position altogether. It was impossible to expect decisions from the government. People had problems, and I'm talking about industrialists, bankers, merchants, Bazaaris, shopkeepers, all of them -- and after all, I was a banker and I knew what was going on. We had problems. You wanted these problems to be solved, you wanted clear policies, and you wanted to be able to move. After all, our economy, our society was ridden with bottlenecks and you needed decisions for these matters; but those decisions were not forthcoming.

I felt this personally; let me tell you. I've never claimed to have predicted the revolution. I have not known anybody, among my own friends, some of the best minds of Persia, who ever predicted the coming of the revolution and the form it took. But we all had -- I did at least -- a sense that something was wrong and sensed the imminence of a catastrophe. You sensed in the air that there was something like this, as early as late '76 even.

I found Hoveida in '76 an extremely jittery person. He wasn't like that before. Hoveida was calm with a great sense of humor. I noticed him -- I shouldn't say these things, he's dead -- but in the parties he would drink a great deal and he would let go. It had come to a point that when you looked at him, you knew he was a tired man, you knew he was not his usual bright and manipulative self. You knew he was at the end of his wits, I certainly sensed it because I knew the man so well. I sensed he was at the end of his wits. He must have sensed it too, he must have sensed that there's something wrong, basically. But nobody would dare to talk about that to him, because he still kept faith, he still... the minute you would begin to criticize, it was as if he has had too much of it, he would immediately react to you and burst into an irrational hortatory tirade denouncing you as one who wishes to bring about a "republic" to Iran.

And yes, in '77, '76, at least two occasions that I remember distinctly when I was talking to Hoveida; for example, once about the Ministry of Finance, saying, "My God, it's time that you did something about the Ministry of Finance. Fiscal and tax reforms are needed, they are important instruments of government policy. The fact that you have money is not sufficient. The fact that you have money may give you the opportunity to take time now to bring about reforms in the Ministry of Finance." And I said to him, "I'm not talking about starting to collect heavy taxes," because that always was a problem, you know, "I'm simply talking about tax identity files, for example, in the ministry." -- which did not exist in spite of the largest and most complicated computer that they owned, you know. They had the computers and so on, they thought that in itself was a reform. But in effect, they didn't even have identities of individual taxpayers. I said, "This is the time to do it. You have the money, you can afford to do it."

And when I talk about reforms, I'm not saying that you increase taxes, I'm saying you rationalize taxes and it may mean that you make things much easier on people instead of much harder, in fact. You cut off the hands of the agents of the Ministry of Finance from so many parts of the lives of the people and you rationalize your taxes. You begin a whole series of really basic reforms in the Ministry of Finance, which had remained the bastion of corruption and the bastion of inefficiency, if you wish.

The same, by the way, was true of the Ministry of Justice. This is what is interesting. The Ministry of Justice, and please remember this, that when we go back -- and I've been reading a great deal lately about the constitutional revolution and the events that lead to constitutional revolution -- people, at the turn of the century, were screaming, "We want Edalat Khaneh." Edalat Khaneh means, as you know, the House of Justice. They wanted a resort, a refuge at that time. They didn't understand the European-type constitution. They didn't understand democracy as we are talking about it, but surely even then they understood justice and they wanted justice. And as it were, one of the biggest and the most important areas that needed reform and really needed some basic action was the Ministry of Justice. And I raised these points with Hoveida. His reaction was -- and people were standing around; it was in my own home, this was the summer of, just that summer before he went on his vacation and came back and resigned, then Amuzgar, that was '77, I guess, wasn't it?

Q. Sure.

A. Hoveida suddenly became like a fighting tiger in front of everybody; and I was his host and I was talking very gently, very politely with great respect and deference to him (as I always did). I never wanted to make him look bad in front of others, and others who were standing around understood this. He suddenly said, "Are you suggesting," and I remember this distinctly, he said, "Are you suggesting that this country should become a republic?" You know that was the use of a terrible, ugly weapon...

Q. It was equivalent to treason.

A. Yes, he was almost accusing me of treason. That's right. I was shocked. Hoveida had always had a great balance, Hoveida could take criticism, and yes he did. And I would forever say this, in his earlier years, he listened very well. Now he couldn't listen anymore. He had become like the Shah himself. The Shah then couldn't listen anymore, either. They'd had too much, there was too much of a burden. Indeed it was time that he left office altogether. That was time that the whole group of ministers and generals should have left, in my judgment.

I went to an old man. I remember I had a great pain in my back -- this all relates to my sense of the situation being terrible and my sense of something wrong is happening. This old man was very close (I don't want to name his name, simply because then the whole question of credence of my evidence will be destroyed), extremely close, to the Shah. I went to his home. He was sitting with other people around. I begged him to come out. He walked out; we stood in his garden. I said, "Will you go to the Shah and tell him..." -- this is time, now I'm talking again about '76, this is an evidence of how I was feeling at that time, how I felt that there was imminent danger within our society, imminent catastrophe -- I said, "Go to the Shah now and tell him to change this whole setup, for God's sake."

I remember him turning around asking me, "Are you suggesting that you want to become prime minister?" I said, "Far, far from it, I'm the last person they should appoint as prime minister. This situation requires some other types altogether, that's what I'm saying. That's why I'm saying that this whole present group who are leading the government, including the army, should be changed. All this business of spending without control and consideration of consequences.

Inflation is eating away at the very heart of this economy and society. It's time that something basic was done. No tricks, no little tricks will do."

You must remember at the end they were using every trick, all the quick fixes, and a whole cornucopia of quick fixes, which were too late and didn't affect anything. But in '76 I said to this man, "For God's sake..." and to be honest with you, I felt that I couldn't do this myself, that is go to the Shah and tell him, "beware"; whereas I felt that the Shah would possibly listen to this old man, would talk to this old man.

Dr. Amini was another person that I would visit and talk to him about these things. I didn't tell the old man that, for example, this is the time now that Dr. Amini should come, should become Prime Minister, but in my heart I felt it. The old man asked me, he said, "who, who should become Prime Minister?" I said, "Look, the Shah has ruled this country for over thirty-four years, thirty-five years (at that time); certainly his information about individuals is far greater and far better than mine. He knows what type of individual he needs at this difficult time. This present group has done its duty."

And I really meant it; it wasn't the job of the technocrats anymore. We all felt a part of the technocracy, you know, because we were all engaged in the economic development of the country and the technical managerial aspect of our society, to be sure. But now we wanted a political mechanism, if you wish. We wanted, we needed a sort of political group. And I had in mind Dr. Amini, to be very honest, because personally I couldn't think of another one who was ready to take over, another one who was well known enough. And I still believe that if, at that time, the Shah made that type of decision, the revolution may have been delayed or may not have taken place. But certainly even if that change would have meant that the powers of the Shah would have become limited, it would have meant that the Shah would have lasted and his son probably would have been on the throne, and we would have begun to develop some kind of democratic system. Maybe, maybe. You know, in social theory these predictions are very uncertain, it's impossible, it's very difficult to make these predictions.

The old man hated Dr. Amini. I knew that, that's why I didn't tell him because if I had said that to him, he would never have even listened to my appeal. Subsequently, I kept on after the old man, asking him whether he told the Shah or not. Finally he said he's scared to death of the Shah, and would not dare to present my suggestions to him.

And then there was a general who used to come to my office. Now this general knew my father, apparently; the general was already some seventy-five years old and he was a member of the imperial inspectorate that later on came to the limelight so much because it started to investigate ministries and present their criticism on television. And I knew that this man would report his conversations with me and I couldn't quite understand why lately he had become enamored of me and he was visiting me so often in the bank. He would come, for example, to me and say, "I want to ask you what do you think of 'X' and 'Y' and 'Z' because they are being considered for Central Bank." "What do you think is going on in the Plan Organization?" Or, "What do you think is happening in the Ministry of Finance?" The man used to come to my office in the Bank Sanaye asking me these questions, which was quite proper considering my background in the Central Bank and the Plan Organization.

But why suddenly this man would appear? I knew of him, but I was never close to him, I'd never had any relationship with the man. But he was known as a general with a clean background, a decent person. He wasn't one of the generals who were pointed out as, you know, corrupt, the type that we may have disliked. He had a good name and I didn't mind talking to him. To him I said the same things, more or less. Not in the way that I talked to this old man, because I wasn't worried about the old man; the old man liked me and wouldn't have gone to the Shah and said, "This Khodadad has got schemes and he is this and that." But with the general, I was far more reserved of course and I still would say the same thing. I'd say, "General, this group cannot do the job, is not doing the job. You need different types of people in government."

Now, I've described these events to illustrate to you how we all felt at this time. Another incident that perhaps is relevant which took place as early as '72 and is very significant, and later on it took place again. Actually, if you really want to know when we had the first sign of real protest in Persia, after Khomeini's first uprising in 1963, it was in Dezful. In Dezful, the minister of agriculture was taking back the land which was distributed under land reform on the grounds that they needed all of this land and they couldn't leave individuals there owning little plots, since they had to level large pieces of land for agro-business purposes, for agro-industrial purposes. They paid the small farmers and force-purchased their land, kicked them out of the land to level the land and to bring water and to do this and that.

Well, these people had apparently spent the money and had gone off to Mashed, had got another wife -- I don't know, as we say -- they bought radios and consumer goods and suddenly they were penniless and landless and came back. So they would collect in the city of Dezful and they began to make noises and demonstrate against the government. I know for a fact -- and this was kept extremely quiet...

Q. I was going to say, I had never heard about this.

A. Oh, yes. This was kept extremely quiet. The London Economist wrote about this, oddly enough. It was kept extremely quiet and they used, I think, SAVAK and the army jointly and they cleared the place of opposition, so to speak. They used guns; they put them to the sword. A hundred, a hundred some odd people were killed. Many people were arrested. There was a very controlled, very well operated type of thing, which bore very little resemblance to what happened in Qom and Tabriz later on.

Well, as the situation unfolded, as the Qom incident took place, as Amuzgar came into the government.... And I'd like to say a few words about Amuzgar; I never doubted this man's personal, technical, managerial competence. I had watched this man for years. This individual was an extremely well trained, alas, as an engineer and he did think like one. But now slowly, slowly he had learned about economics also and I assure you that he was better in understanding economics than ninety percent of the economists I knew in Iran. I want to say this certainly as a credit to the man, because he had great intelligence. He does have great intelligence.

But perhaps, because in fact of the type of training he had received in these years and because in fact he had lasted as long as he had in the government setup, I think he was callous to the real

politics of Iran. Not callous in the sense that he didn't want to know or that he did not care, no. He had never specialized in it, he had never understood it. He had dealt night and day -- as he was a very hard worker also, night and day -- with totally other types of problems rather than with hard political problems and processes.

He hadn't really ever even done something that I would have done within even that setup and that's to develop over the, let's say, nearly thirty years of his service in government to develop a real group that were faithful to him, like Dr. Amini had. He never had a group around him. Maybe he knew if he did, the Shah would not have favored him very well. But there wasn't a group of believers around Amuzgar, so to speak, as Dr. Amini from the very beginning, always. Whether you liked Dr. Amini or not, but the man was a political animal, you see. This was the difference between the two guys.

And the circumstances called not for a technocrat, not for a Ph.D. from Cornell (as Dr. Amuzgar has), necessarily, not for a man who has served all his life in the technocracy of that country or in the development of that country -- and I do give him all this type of credit -- but it called for a man of political savvy, of political know-how and he didn't have it.

The Rex Cinema is my best example. Whatever was the cause is still being debated. We still don't know, at least I don't know. And I would swear, by everything I believe in, that Dr. Amuzgar was just as surprised about it as anyone else. In other words, there are those who say it was a government plot. Although I could not swear that such a plot was beyond SAVAK's doing, I would swear that Dr. Amuzgar could not have known about it even if SAVAK was involved. The reason I swear is because one of my own men, who worked with me for years in the Plan Organization, was the governor of Khouzestan at the time and investigated the Cinema Rex event as closely as anyone and regularly maintained contact with Prime Minister Amuzgar, would also swear that Amuzgar as well as his government were taken by complete surprise and knew nothing about it. I am sure, if Amuzgar knew about this bloody affair in advance, he would have resigned before it happened.

Q. Who was this governor?

A. Bagher Namazi. Bagher was one of the bright men in the Plan Organization. I'd brought him in the earlier days to the Plan and then subsequently Dr. Amuzgar, when he was Minister of the Interior, had taken him and then appointed him to the governorship of Khouzestan, after Salehi. Bagher Namazi, who was the governor at that time, I talked to him extensively. He certainly didn't have the slightest notion about what's going on, he was right there. And from the substance of all of his discussions, it was impossible for Amuzgar to have known what happened. But the way he handled the thing, it was very unpolitician --like -- and I use the word politician here not in any derogatory way. He just sat around. Hoveida would have immediately jumped and declared that day a day of national mourning. He would have taken the whole of the cabinet down there. He would have sat there with the whole of the cabinet and all the SAVAK people and the governor of the province and everybody until he found what was going on, what was behind this whole matter. Amuzgar didn't do this. He just sort of wavered for three or four days and then resigned, of course. You remember, he went out a few days after Cinema Rex. And I

certainly would have liked to see a different treatment, even if he was about to resign, even if the circumstances for his resignation were unrelated to Rex Cinema.

By the way, I heard at that time and afterwards that he had tried to resign two or three times, which I don't understand. Of course, when one decides to resign, one should really resign. Resignation is a final act of faith, of protest. Trying to resign, I don't understand it. Maybe he had simply gone and told the Shah, "Sir, if you don't have any confidence in me anymore, I better leave," or "The circumstances are such that I better leave," and the Shah would say, "No, stay on a little more. We shall see what happens," etc. Now that's not resignation in my judgment. He should have resigned much earlier in sharp protest against existing policies. Because I think when he resigned it was too late, the situation was out of hand.

Q. Wasn't it said that people in the latter years of the regime could not resign and they would just be discharged and the act of resignation didn't really exist? Is that true?

A. Look, at least in my own case, when you say latter years, I don't understand, I wasn't hurt. Well, I was hurt in a way that, I suppose I lost all my chances of entering into the government a year later, but I had no other worries. Nobody hurt me when I resigned; nobody put me to jail when I resigned. As a matter of fact, I was able to go and become chairman of a bank; and you know the businessmen were very concerned not to put somebody in there that the Shah or the government did not like. Nothing happened to me <when> I resigned. But of course prime minister is a different story.

I'm not saying that my resignation was the same as a prime minister's resignation; a prime minister's resignation has many consequences, whereas resignation of a member of the government does not have the same consequences. You just go out and they put in somebody else -- I understand that aspect. I'm not saying Amuzgar could as easily have resigned as I did. But the circumstances called, in my judgment, for his resignation in the sense that they should have all walked out -- this whole group should have all walked out, a whole new group should have come and he should have done it much earlier, if he had any political sense about the situation. He should have done it as a necessary sacrifice.

I am not one of those people who is overly critical, overly harsh about the very people I worked with, certainly. I really want to say, in retrospect, with the help of hindsight, I see it that way. Maybe Amuzgar himself sees it now that way, I haven't seen him, and I haven't talked to him since the revolution. Perhaps if he had recognized that the situation was bad, that it was beyond his power to control and he was the prime minister -- I still keep on repeating -- he should have stopped, he should have quit. I think he would have made a better name for himself in history. And the way he continued, in a sense his government, his whole government was a lame duck type of government, you know, the way it turned out. They were unable to do anything.

They never had a chance to carry out any reform programs that they wanted to do. Right shortly after Amuzgar took over and, apparently, certain signals were reaching the Shah regarding the situation in the country, this inspectorate was set up and they were, instead of spending their time in front of the parliament pushing for reform measures, they were spending their time in front of the television -- hours after hours after hours -- which was like a circus, you remember. And

these poor ministers were called constantly to appear and to answer questions raised by the inspectorate. They were our friends, we knew them, and we visited them. They were constantly preparing their briefs or reviewing their briefs to go and sit before the imperial inspectorate on television and answer to the questions that were raised by these generals and colonels, and so on, who had investigated projects and so forth. My god, the whole thing was a real circus.

There wasn't the slightest amount of real political gain for anyone. What was interesting, as far as the people who were watching, was that here is a government that the Shah has appointed himself and now he's bringing his own appointees before the public and showing how incompetent and possibly corrupt they are. There was a real conflict there. It was a meaningless thing, senseless thing.

Amuzgar should have resigned at least when the inspectorate was set up and when he learned about the purpose of the inspectorate. He was prime minister, even at the cost of having his head chopped off. Easily said, I know, I know, but he was prime minister.

Well, anyway, Cinema Rex and before that, of course, Qom and Tabriz, were very clear indications of what was happening in the country and indication of the sense that the government didn't have any more competence or control. The government was not anymore in charge. There was a great deal of debate going on already in connection with Tabriz, I happened to learn later on, as to what ought to be done and what could be done. The government was torn; the Shah could not resolve the issue quickly and in a balanced way within the government and the security forces. And the thing, of course, exploded the way it did, totally mishandled. Again, with hindsight I say it.

I'm not sure how I would have behaved if I were under those circumstances. I really want to repeat this so that posterity won't think that this is unconsidered criticism. Only I can say that with the help of hindsight. I don't know what I would have done if I were under those circumstances. I suppose the only thing I would have done is just walked out. I don't know if I found that I was bound to bear responsibility for the chaos, the bloodshed and the ultimate takeover by a group of clergy from the dark ages <that> at the end, I would have certainly walked out or helped a more popular or acceptable group to take over my government.

Q. Were you meeting with anyone discussing these issues, which you are discussing now, with friends, associates?

A. There were generally two groups -- not groups. One was people like, let's say, Dr. Amini that I would go to. His home was close enough to mine; I'd just walk in, sit down and talk to him. He was very busy those days -- I would go to him at odd times, at lunch or sometimes late in the afternoon and so on -- because lots of people were coming to his home.

Q. Even at that time?

A. Yes. But now I'm talking about the period close to the end of Amuzgar, during the Sharif-Emami period. Dr. Amini was very active in this period.

The other group was a sort of group of people that I felt were liberal intellectuals of the country, you know. I would invite them to my home, they would come in groups of, let's say, five, six, ten --or we would meet in somebody else's home sometimes -- just to discuss and try to analyze what's going on, develop scenarios and speculate. These discussions continued right from about the last days of Amuzgar through Sharif-Emami, Athari and by the time it reached Bakhtiar period, the group did not meet anymore. The situation was already out of control.

What is interesting and should be recorded (and perhaps it's a very sad phenomenon) is that, in my judgment, some of the brightest people in the country, some of them in charge of important official posts and some out of the government, would meet and we would develop scenarios as to what happened. Not a one person, not a one scenario came out to be anywhere near the truth, near to reality, near to what actually took place when the revolution came. If anybody told you that they could foresee the situation as early as all that do not believe him. Oh yes, we foresaw or we discussed possibilities of severe changes, we even discussed the Shah's departure -- but none of us could conceive the present situation, could perceive the present situation, that is what happened subsequently, namely, this total takeover by a man like Khomeini and the total takeover by the fundamentalists of the political apparatus of the government. Nobody could anticipate how easily they could take over the establishment. None of us.

We never believed that the army would act the way it did. We never believed that they would just go back into their barracks and wait until somebody comes and takes them to the guillotine. We thought groups of them, artillery divisions, certainly the guard, and the imperial guard would put up a fight. If we had any indications, we were feeling that there would be a takeover by some military groups.

None of us believed that Bazargan will come and take over and, you know, the whole thing will be all right and that Khomeini will come and go to Qom. But on the other hand, we never saw that there will be a situation that Khomeini will come and take such total power over the affairs and the mullahs will take such complete charge of the management of the country, as in fact they did. None of these bright people could foresee this. We operated within our boxes, within our molds of thought. We didn't consider these possibilities. It was far from our minds that Iran, the way it was, could be taken over and operated by a bunch of mullahs who had no notion about the world; that certainly Iran could not be operated without some kind of modern management, but then we have seen what happened.

It goes to show you that when you are too close, you often only see the trees and you fail to see the whole of the forest, you know. We discussed individuals, we discussed institutions, we discussed the Shah. We discussed Khomeini as a character, as an actor, to be sure. We discussed Amini as an actor; we discussed Bazargan as an actor. But we couldn't see the total situation. We couldn't predict the total situation. Nobody did, nobody did. If anybody told you, "I saw the whole thing," it's just a story.

Q. What was the purpose of this group? Were you going to report to somebody or was it for your own self-edification or what?

A. We were interested citizens meeting together. We saw what has gone wrong. What has happened? What is happening? What will happen to Iran? We were concerned citizens. We were worried about our own future and the future of the country.

Q. But that was quite unusual for Iran for this kind of a group to take place.

A. Oh, it was taking place, a lot of group meetings were happening at that time, you know, lots of them. I mean, after all, lots of other groups were meeting. Don't forget, this is the time when various parties, various writers were writing openly. Various parties were coming into being. We never talked among us that we should set up a political party, but we were just as interested to find out what collective action we should follow. Sometimes, of course, a discussion would deteriorate to fixing blames and this type of thing -- sometimes, no, very often. But there were good analyses of the past during these meetings.

And then we discussed the question of the position of Iran and the relationship of powers, of the superpowers, to Iran. We discussed what would America do under certain circumstances, what would Russia do under certain circumstances.

Q. Did you have any official sanction for these meetings?

A. None whatsoever. None whatsoever.

Q. Weren't you concerned that the usual report would be given to the SAVAK?

A. Not in the slightest. Not in the slightest, because this is the time of Sharif-Emami who, you know, and it had gone beyond that anymore, beyond that fear anymore. Nassiri was out, and Iraj Moghadam, as the head of SAVAK, had developed a very liberal approach to these things, was trying to at least, the poor man.

By the way, I had seen him once or twice, Moghadam, in the earlier years. I found him to be something like Pakravan, for whom I had great respect, great respect as an intellectual, (Pakravan I'm saying), as an intellectual, as a decent man, although he was the head of SAVAK. But I think Pakravan, after Teymour Bakhtiar, made SAVAK almost popular. It was after Nassiri that again SAVAK went back to the practices of Bakhtiar and the approaches of Bakhtiar to things. Pakravan was a highly westernized intellectual, decent, non-violent type of an individual. He was a general, to be sure, but this was his nature, he was an historian, a mathematician as well. Moghadam was of his school. In fact, that's one reason why after Pakravan, he went into the shadows to such a great extent. It was only later on that Moghadam was slowly coming back to the limelight and ultimately became the head. Sabeti was young, I think to a great extent an egoist, a great egoist. Moghadam was calmer, experienced, a more decent type.

Q. They represented two different schools...

A. I believed that, I believe there was a great conflict between the two in the SAVAK.

Q. So for a time they were both in the SAVAK?

A. And I think the Shah had no choice but to appoint Moghadam. In a way his hands were forced by the circumstances, not by any one individual, to appoint the man who would quiet things down rather than continue the repressive practices. Maybe he was wrong altogether. Maybe at that time he should have appointed another Nassiri to start cleaning up the whole situation. It's amazing how history has twists. Or again, perhaps Moghadam should have been appointed three years before that date, you know, to calm the whole situation, to begin to give more freedoms, to begin to... These things have to come gradually, these things cannot be done overnight.

Q. Could you comment on the rumors that for a while there was a conflict within the SAVAK and perhaps this conflict was reflecting itself in some of the disturbances and so on that were taking place? Do you have any sort of direct knowledge?

A. I had no contact with either Moghadam or Sabeti -- don't forget, I was out of the government. The reason I knew Moghadam in '70 was because I was in government at that time and there was no doubt that we would come across each other. Moghadam from the earlier years, but Sabeti all during the time I was in the Plan Organization was in charge of government offices. After all, every agency had a security officer and we had to clear people with SAVAK for appointments and so forth. And we had our run-in with SAVAK all the time regarding individual's appointments. Bright young individuals with student federation backgrounds coming from the United States, you know, and SAVAK would oppose their appointments. Often I had to write back to SAVAK and accept full responsibility for the behavior of individuals I personally had investigated and knew well. I had such occasions many times. Now I was out of the government. What I heard, however, was from people who would, in fact, visit them and ask them for advice, what they're supposed to do -- such as industrialists, bankers, and so on.

Well, the story I heard was that Sabeti had made a proposal to the Shah to prevent the Tabriz incident before it broke out. SAVAK knew completely about it, SAVAK knew it will happen, had gone to the Shah, had proposed to give them a week and allow them to arrest some people, not shooting and so on. But it's a sad commentary on lack of coordination even at the security level in our country and perhaps in the way you're referring to the conflict. The story I heard was that the Shah had said, "All right, go ahead." And within the mosque, in Tabriz, there were some three thousand security people with guns, in civilian clothes of course, with hidden guns -- this is the story I get. And SAVAK had requested the Shah to keep the army out, to order the army to keep the out. And they would handle things in that manner from within and they prepared for it.

As it were, the minute the demonstrations got started in the mosque and so on, either the governor ordered and took responsibility -- by the way an uncle of Amuzgar -- or the army generals just got too excited about the whole situation, started to shoot at the crowd, including the security agents who were among the people. Many were killed at that time. This is what's very interesting. Some of the security agents within the group were shot dead, just by mistake, you know, because they looked like any other civilian to the army people.

There was a great deal of this type of thing and that is why, I suppose, Sabeti very early in the game quit and left Iran. He knew that his day had ended and saved his neck that way. Nassiri and

Moghadam's necks were not saved, one was shot dead by the revolutionaries; the other killed himself.

You know, when we talk about conflicts of this sort, I wish there was, I wish I could say the situation was always a clear case of a serious policy debate. If not necessarily always that, very often this is mixed with personal jealousies and personal relationships, one goes against another just because he wants to oppose the other, just because he doesn't like the other, or very often it's just because of lack of proper management and coordination. Even when there has been agreement, the parties may make mistakes, like in the case of Tabriz, and mess up the whole situation.

You know, we always in our mind, especially when we teach, especially at these universities, we talk about policies as if these policies were always properly discussed and went through a process, and they were well-rooted and understood by everybody, and the policy was clearly stated and properly circulated among all the related agencies or agents, so that the policies could be correctly implemented in good time. Very often, policy is just a nomenclature; it's just an empty word, an empty box. There were six policies, there were seven policies being carried out; whether by mistake or by intent or purpose, a man would decide to do something, you know, unaware. Unaware of what was the policy at the center.

Even as late as '78, the Iranian government had not successfully developed a proper process of policy proposal, discussion, formulation, implementation. Not only in connection with economics and economic development of the country (about which we talked earlier), even in connection with security which was so important, presumably, to the heart of the establishment and to the heart of the power elite. Even in connection with the defense of the country, in spite of all the money we spent, I am not certain we had an efficient policy process.

The personal jealousies among the generals who headed the army, the navy, the air force, often encouraged by the Shah, prevented smooth coordination of the forces. There really wasn't a proper, impersonal and systematic approach to policy-making, it was sort of a personal approach; and the Shah, it seems, either liked it that way or didn't know any other way of doing things. I think it was a combination: he both liked this personal approach where every general would run to him -- and this meant to the colonel level, or a very low level of command -- and ask him, "Your Majesty, what shall I do?" And he would tell him something and he would carry that out because the words of the Shah were supposed to be the final words, the law and, as a result there were many conflicts. I'm sure, for example, the man in charge of Tabriz, the commander of Tabriz...

Q. Commander of the army?

A. Of the army in Tabriz -- had direct resort to call the Shah at his palace and say, "Your Majesty, give me my orders. This is what's happening here, what shall I do?" He will exaggerate the situation some, the Shah would say, "All right, go get them." In spite of the fact that a week earlier he had approved another policy, for all I know, he may have even forgotten that. These are not recorded, these are not.... You know, this was the tragedy of the situation. There was no

proper policy formulation, coordination and implementation. Quite aside from intents to sabotage, by the way, quite aside from that I'm saying -- no real process of policy.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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DATE: January 5, 1983

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 13r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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Date: January 5, 1983

Place: Cambridge, Massachusetts

Interviewer: Habib Ladjevardi

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A. Now when I think in terms of -- let's say, discussions that I had with Dr. Amini, what had I learned from that situation? He was an elder statesman of the country, without a doubt, a fairly good name -- mind you, his good name primarily emanated from the fact that in the public opinion he had stood to some extent for constitutional control of the Shah. I think he had very ably created that impression. Another factor was that he had very ably stood for participation at least created the impression that he stood for participation of people in government.

The third factor was that he was always known to play an intelligent role -- at least I use the word intelligent purposefully here -- an intelligent role with the cleric, with the mullahs. He was always known as a man who had good liaison with the mullahs, who could handle the mullahs, who could negotiate with the mullahs rather well. After all, don't forget Fakhri al-Dowleh, his mother, had a great mosque in her name; and he would regularly visit that mosque, which was in the part of town where the lower income groups and lower middle income groups lived and he circulated among them, he circulated among the Bazaaris. He had some kind of a political base. I'm talking about Bazaaris purposefully as separate from industrialists and the modern sector. He continued to deal with the sort of traditional sector of the bazaar.

So he was a natural candidate at the time of the crisis. You see, that one of the basic problems was that this crisis unfolded so fast, so quickly and reached a conclusion so fast and so unexpectedly, that there was no time for anybody even to begin to align his forces. Even if we assumed they had such forces backing them, a man like Dr. Amini, from the time that he felt he could do these things -- for years, you know, he sat in his home inactive -- until the time the whole thing broke was a very short period of time, I would say eight months, ten months, a year maximum. And it wasn't enough for these negotiations, for these political realignments within the society to bring about a coalition of some sort -- a political, social coalition of some sort, economic coalition of some sort -- to enable him to govern the country. He couldn't.

At the end, Dr. Amini (in my judgment) did not succeed. It was too fast, too quick and this was the tragedy of the whole thing. If only men like Dr. Amini or, I don't know, Sadighi or Saleh, all these men who had good names and so, Sanjabi for that matter or others, were allowed a modicum of freedom of movement in the earlier years, maybe now during crisis, they could have

moved faster, they could have realigned their troops, they could have got together, they could have found a base, they could have organized and operated from that base.

Dr. Amini was working feverishly, trying to find prime ministers acceptable to the Shah on the one side, on the other side trying to get groups to support a more moderate movement. I remember I was asking him this question, I said, "Why can't you get together with the National Front people?" He talked to me like a father. He said, "Khodadad, please believe me and this is the gospel truth, by God," he said, "I haven't found two of the National Front leaders who can agree with each other."

There was no time. You know Iranians. In heat, people begin to have reactions, not considered thought. Even people, presumably, of the same political leanings were having just reactions. The movements were not calculated movements, they were not planned movements, and they had no basis, no goals. They just threw out opinions. That was the real tragedy in the situation. None of these people -- who may have been able, and I'm not saying they would have, I'm saying who may have been able to save the situation -- had really the time. And I think by that time, the Shah wanted them to save the situation, would have agreed, he asked Dr. Amini two, three times -- this I know for a fact -- to become prime minister and Dr. Amini knew he couldn't form a government. He told me, "I cannot form a government."

Q. What would it have taken for him to form a government?

A. He knew he had to get various elements. He knew he was just not enough; he had to get various elements together. It would have really been a coalition government he was after.

Q. He wasn't willing just to become...

A. Exactly, he was known as an ambitious man, who would do anything to become prime minister -- his enemies always said that. I watched the man during (and I will say this for posterity) this period of time that he was trying very hard and he said, "What government? Who can govern?" These were basic questions in the man's mind. Now the man was too old to be excited by the prospects of becoming prime minister. Nobody wanted to become prime minister unless you had a real calling to become prime minister.

Who could have controlled the workers in Abadan who had already gone on strike? And Entezam -- who, by the way, was another candidate, not himself directly but a proposed candidate, to become prime minister -- was head of the oil company and I watched him on television. The representative of workers from Abadan came and stood in front of him -- we all watched this on television -- the representative of the workers said, "Sir, the only way you can get us to go back to work is to go to Paris and get permission from Paris." That meant from Khomeini. We saw this.

Now mind you, what is the sense of Dr. Amini becoming Prime Minister and be there, like Sharif-Emami, for a month and then literally be kicked out after a month? Or like unfortunate, poor, poor General Azhari, who was never, in my judgment, fit to become even the minister of

war under some free circumstances, because he wasn't a great decision-maker. He had never learned to be a decision-maker. He was an actor of some sort.

Surely Bakhtiar, when he accepted to become prime minister, he must have had, he must have labored on the basis of pure illusion that he could get a political base at that late hour. That by getting the king out of the country, he would succeed in rallying all other elements, including the army, behind him. I was sitting in his office the very last day, the very last...

Q. Bakhtiar's?

A. Bakhtiar's office, the very last day. He was begging, he was begging Rabi'i to get a few planes up to start showing some power. He was begging the head of the army -- who was heading the army?

Q. Badrehii.

A. Badrehii. Not Badrehii, no, no. He didn't talk to Badrehii. He talked on the phone, I was sitting there. That was the last day, when the town was taken over by the rebels, all completely.

Q. Rahimi, maybe?

A. He was talking to Rahimi? No, Rahimi was already out, too late for Rahimi. No. Who was the chief-of-staff, Gharabaghi?

Q. Gharabaghi.

A. Gharabaghi. And Gharabaghi told him, "Sir, we have had a meeting. We have made a decision." That was the famous decision of the army to go back to the barracks. And that day, later on of course, everybody ran into the barracks, burned the barracks, killed the soldiers, etc. and got all the guns out of the barracks.

Q. Did you consider joining Bakhtiar to help him while he was prime minister, as sort of a last chance to do something? What was your personal involvement in all this, aside from talking to Dr. Amini or these groups once in awhile?

A. First, let me be very honest with you. I knew that I may be a liability, I honestly sensed this. I'll tell you this, I've never said this before, but let me, say this for history. Sadly, I felt this in my own heart that I'd be a liability because I'm called Farmanfarmaian. By the time Bakhtiar came, I knew what was going on. I knew it wasn't our day anymore. I sensed that. I knew they had to go elsewhere. I knew because, I told you that, even earlier I believed in this that it wasn't the group, not only being a Farmanfarmaian. One, having a name, well known. Two, having been part and parcel of that whole technocracy and bureaucracy, an important part of it. I had not been yet forgotten. Don't forget, I was the head of the Plan Organization, I was the governor of the Central Bank. Not that I'm saying I didn't served our country, by God, during our period I firmly believe we really served that country. And if I were to be put back again, I still can do a better job than so many others who may be doing it today, I don't care where they come from. Because

we understood things, we still understand things. We needed a little political experience. We were never, never given the opportunity of becoming political, you know. That was the sad part of it.

So I felt our day was over. This country needed a different type of government. This country really needed some true politically oriented people to govern it. People who had a base among the masses. I wouldn't fool myself to think I had a base among the masses. I had a base, my base was very small -- they were a hundred young Ph.D.'s, two hundred. No, five hundred. If I want to raise my ego, I'll say a thousand people who truly believed in me and swore by me. But I wasn't known to the country, and you needed people who were known to the Kurds, the Baluch. You should be known throughout the country before you can become a member of such a new government that's supposed to save the country. Each one of those people should have had a real political backing.

That's why I say that Bakhtiar lived under an illusion. By the way, I love him, I have great respect for the man, and he's a man with great courage. But you know, the illusion was this, which these people thought because they were out of politics for thirty years, because they somehow had some relation with Mossadegh, or association with Mossadegh, that that was enough to run this country now after thirty years. Bakhtiar himself was not all that well known among people. Probably, if you had taken a survey in the country and asked, "Who is Shapour Bakhtiar," there would have been very few people who would have even heard of that name.

Maybe if you had done this thirty years ago during Mossadegh, a lot more people would have known about him; but even then, of course, he was in a junior position. Or Sadighi. These are tragedies of our society. Or Saleh. They had sat in their homes for thirty years. Not only that this new generation, these young people did not know them, for that matter they didn't know Mossadegh. You see, this is the tragedy that took place. They didn't learn about our history. They didn't know the men of our country.

Politics was never there in the sense of people knowing and being involved in what is going on in the country. As time passed, the extent of political participation became less and less. It kept on moving towards the center and limited only to the name of the Shah, or at best the prime minister, that's all, two people. The youth throughout the country -- and I'm not only talking about those who were at the university and revolting. Surely if you had asked those very people, who are now fighting in the fronts in Iraq, these young people, and asked them, "Who is Mossadegh?" they would not know who Mossadegh is. Now how would they have known who Bakhtiar was? How would they have supported him? Could Bakhtiar, by just one simple act of sending the Shah out of the country, could he just by doing that take over the country and run the country? Well, that was very sad. Anyway...

Q. What were you doing in his office?

A. I went to his office; I wanted a letter from him. The Public Prosecutor had cleared me. Do you remember there was a list of people who sent money?

Q. You mentioned that in the last tape.

A. Yes, <the> public prosecutor had cleared me and I had subsequently applied to Azhari and his minister of justice, written to them, wrote to Bakhtiar and his minister of justice (who was the same, by the way, a very nice man -- what was his name?)

Q. Najafi.

A. Najafi, very nice. I just wanted a letter. I remember Azhari saying, "Sir, I'll give you your passport immediately. Why don't you just go on a trip?" He was telling me outright. I said, "I do not want to leave the country. I do not want a passport. I've come here to you to give me a letter saying that I was cleared. You're public prosecutor, minister of justice, it doesn't matter to me as long as you give me a document, because there was this list which was publicized. Give me a letter because I want to send a copy of this letter to my daughter who is at Stanford and who is wondering about this. To my son, yes. And to my friends. And I want to keep this for my records." That day, of all days, I'd called earlier and Bakhtiar had given me an appointment. (Bakhtiar knew me rather well because his brother worked with me for years, Rasoul Bakhtiar, who was a wonderful person. Rasoul was one of my deputies at the Plan Organization.) I went there to ask him this but as it were, I developed such sympathy because during the hour and a half I sat there -- an hour and a half I sat there -- this poor man, as he said -- and he said it in English, by the way -- "To be or not to be is the question," he was saying that. These were his own words that I heard from his own lips.

When I was sitting in his office, I could hear the shooting going on in town. Constantly his secretary, his assistant, Mr. Moshiri would come in and say Moshiri-Yazdi, "Sir, they've taken over the gun factory at Doshan Tappeh, they've taken over the central police station, they've taken over this and that and such; and they're moving towards the Prime Minister's office...."

Q. This is Hoveida's old room?

A. This is Hoveida's old room, that's right. Azhari was in the same place. "They're moving towards..."

By the way, in the morning when I came in, there were tanks, machine guns, soldiers all around the Prime Minister's office and Bakhtiar was at the end of his term, I never asked him for the letter. I said, "I've come here to give you a gift and I'm going to leave." I decided it was no use at this time for me to ask him for such a letter -- I'd written to him already, by the way -- because the man was fighting for his life. This was true; he was fighting for his life at that very day, at that very moment. That's the day he couldn't finish his lunch; the minute I left, when I left it was about twelve o'clock, his lunch was brought in and it remained -- he had to run away at that time.

Q. Did he look scared?

A. He was as calm as they come, I admired him tremendously. He was smiling; he was quieting down his own assistant. He has great qualities, this man does, Bakhtiar. I say this, but you know, men with great qualities can still live under an illusion.

I said, "I have a gift to give you." He said, "What is it?" I said, "It's a prayer and it's in English. May I give it to you in English, I will translate it for you in Persian." He said, "I understand English <well> enough." And he did, he spoke English -- although his whole training was in French, you know, he was in France and so on. But the man was a literate man, marvelous the way he spoke. You remember his speeches. I enjoyed him very much. And this was the prayer I gave him, I said (and I'd learned this prayer years ago and it's attributed to Pastor Niebuhr, if I'm not mistaken), it goes like this, "Oh God, give me the serenity to accept what cannot be changed, the courage to change what can be changed and the wisdom to know one from the other." He liked my prayer. I proceeded still to translate it into Persian for him; and I got up and I kissed him and I said goodbye to him. I haven't seen him since. And that's the day he ran away.

Too late, too thin, no base, pure illusion. The whole thing shattered so quickly, so easily. The whole thing was so brittle. But the man was extremely sincere from the very beginning. He's a very decent person. Well, we had many like that, that's the sad part. That is the tragedy. Within that society, we had men who could have become far better, in terms of maintaining political stability. I'm not now talking about who can talk economic jargon better or who can, I don't know, manage a project better, no, no, no. In terms of political stability, there were men in that society who could have done better, certainly, than Hoveida in his last years.

Hoveida had his role in the earlier years, but in the later years -- I don't know, let's say late '60's, early '70's, certainly immediately after OPEC -- you needed a political hand, a strong political hand in the country. There were men like Bakhtiar who could have been groomed for that post, who could have been allowed to go and organize themselves to get support. Lots of men. In my judgment, you know we always say there was nobody. There were men. Well, Bakhtiar, I didn't know the man, he suddenly came and I saw him and I loved him. Then I listened to his speeches before the parliament. He was, he sounded like an orator and a well-trained parliamentarian. I don't know where he had gotten this talent; I mean he did have the talent, for heaven's sakes -- never to be given the chance to use it, to develop it so that he will be there for the crisis to save the country. That was the tragedy.

Same with Dr. Amini. Let me simply say that elder statesman who had so much experience (let me just couch my description of him in these words), a man who had had long experience. A man certainly who wasn't a rebel, who didn't want to overthrow the Shah -- and the Shah knew this, the Shah knew this. After all, I never considered Dr. Amini a rebel to the left, a revolutionary. Now don't forget about his background. For years he told me that "This roof is going to fall upon us and when it falls, it will include all of us." And he had been telling that to the Shah all the time.

He didn't separate himself that much from the establishment. He wanted to reform the establishment. He wanted to link it to the people, he wanted to link to centers of power within our society, such as the mullahs. Obviously he couldn't ignore the mullahs. Obviously, now we see, now we know. I mean, modernism or westernism had its limits. We should have allowed a modicum of our own traditions and cultures into the play and Dr. Amini could do that.

I don't consider him a rebel, certainly as Bakhtiar wasn't a rebel. But the Shah, anything that was associated with the name of Mossadegh or if anything smelled of Mossadegh -- like Amini -- he

suspected, he hated. I think I've said this before, all during the time that I had been present when he spoke on occasions that related somehow to the events of Mossadegh's time, he could not use the word Mossadegh. Never the name, always "that man." Sad.

When you govern a country, you cannot afford to become that personal. You have to allow, you have to allow younger trees to grow. You have to allow a certain amount of opposition and you cannot become that much the center of things. You can hold power but you have to allow some fail-safe mechanism to fall back on when the time requires it. We didn't have it.

So, those are my thoughts, I mean, about the revolution as best as... I'm sure on other occasions I may think of other things as well, but maybe you...

Q. Could we spend this last half-hour of today's session, having you describe the events subsequent to the revolution? Once the revolution occurred, how did it affect your life? What happened to you? How soon did you come into contact with the realities of the revolution?

A. Well obviously, when there were demonstrations in the street, obviously after Black Friday, after that Monday or Saturday, when they burned up the Bank Melli branch, where people marched, burning shops and so on and after the Shah comes out and says, "I have heard you." After the Shah leaves the country. After the people rushed the barracks and take the guns in their hands. After Khomeini arrives and after the shooting takes place and the attack on the television. Well, obviously I felt it.

Q. How did you feel?

A. I felt the revolution is here. Obviously, I felt that the control...

Q. Were you afraid for your life, for your family?

A. In the hands of others. Well, I felt certainly this for my family; and I acted in December.

Q. The burning of the banks.

A. No, no, no. After namaz of Eid-e Fetr. I'm talking about early in December. I packed my family, including my grandchildren, sent them out of the country. I feared for my wife, fearing for my wife because she's an American, you know, fearing for her that she may be attacked. Because she had described to me a situation in the bazaar in Shemiran, where she had gone to shop. And that really scared me, because they had blocked her car and she had just by using soft language with the people and so on, slowly, slowly edged out of there. Well, somebody could have thrown a stone at her, somebody could have pulled her out of there, somebody could have pulled her out of the car, burned the car, you know, this type of thing.

So I feared, I feared for her, but also I felt the circumstances were such that at least I should not have to worry about my family. And I sent them out to London, telling them, "Look, why don't you go, just for a two or three weeks vacation, and I'll be in touch with you. When the situation quiets down, you can come back." Well, I had that sense and I acted on that immediately.

About myself, I don't know, I keep on asking myself, why didn't I do something about it, why didn't I leave at that time? Why didn't I leave later, before it was impossible for me to leave formally? The only answer I have is somehow, I was waiting and saying to myself that there'd be a proper government in the country, a new liberal government in the country. Even to that moment we were fooling ourselves. And I wanted to sit there; I wanted to watch the whole thing. Furthermore, I said to myself, after all I'm very clean. Don't worry about anything. I don't have any reason to go. And this is a time where the presence of individuals such as myself may be essential for the country.

But also let me tell you something that left an effect, and I've not told this to others. One day, I guess it was early during the Sharif-Emami period; I was given a call by Afshar.

Q. Minister of Foreign Affairs?

A. No, no, no. Afshar...

Q. Aslan-Afshar?

A. Aslan Afshar was now the chamberlain, the man who was in charge at the Court. The Grand Chamberlain, I suppose you can call him. He called me, oddly enough, and said, "Do you want to see the Shah?" I said, "Of course I'll see the Shah." And I went to him. This is in the last three months, more or less, before he left, I saw him three times and this was the first time.

He said, "Tell me," the Shah did, "is everybody running away?" I said, "Sir, some people are bound to run away and some people will stay." I didn't say everybody was running away, although this was more or less true. Everybody who was anybody was sort of preparing to go. This remained in my heart. You know, this man, it was a sad question he asked me, the way he asked me that. Oh yes, at this time they're all running away when they ought to be staying, you see? I guess this affected me; this was a factor in my psyche that I am not the type who would run away. Now what this means, I don't know.

But the reality, as I can recall, was that I was living in my home. I didn't know, if I left, leaving my home what would happen. And I saw no reason to leave my home. There was nobody there to take care of things anyway.

The bank -- earlier I had resigned my post as the chairman. I consulted the main shareholder, the majority shareholder of the bank and I said, "It is proper that I should resign at this time." This is now six months before, before March 21st when automatically my tenure would have been finished and either I should have been reelected or I would have been out, he said, "Sir, please don't leave at this time because there'd be all kinds of rumors about it and so on. Why don't you just take a vacation and go out of the country." The man told me this. I said, "No, I'm not going to leave the country. Either I have no responsibility or I'll stay on like this. But my own choice is to resign."

He really begged me and I did stay on to the point where I was signing just by myself for the whole of the Board of Directors -- it was illegal, but I was doing it...it was illegal in this sense

that the decisions were not the decisions of the Board, but in the absence of the Board the managing director and I were signing because we wanted the affairs of the bank to continue and then we would put a note there that subsequently this should be approved by the other members of the bank. If I'm not mistaken, there were one or two other members of the Board present in Tehran, we would find them and they would sign too. So we still would not have a majority signature of the signature, you know, we'd have three signatures out of twelve or so. But they all had gone; the rest of them had left the country.

That was another responsibility I felt, that I should remain to the end. And I did remain to the very end, when the bank was nationalized and I was, and my term was finished anyway formally, and a new man was appointed by the government. And even after that, the man came over and had me sign the balance sheet for the year.

Maybe also some natural curiosity, sitting there watching to see what happens. But I think above all that it was a pride that prevented me. I wasn't one of those who run away. Maybe I'm complimenting myself by saying that. But I don't really see any other reason why I didn't leave the country. Probably if I had left the country at that time, I would have been doing better today, probably, in terms of my own personal circumstances. I was hurt deeply during the year and some-odd months that I stayed after revolution, before I ran away.

Once during my stay in Iran, I made proper application, however, to the police for a passport and a visa to leave. They rejected me, of course.

You talked about what was going on. At nights, you know, after of course the Shah had gone and Khomeini had taken over and so on, the attacks on homes and taking people away. And one day, of course, I was sitting and having lunch at the house of Senator Mohsen Foroughi. There must have been about twenty of us, on a Wednesday (like every Wednesday we'd go there for lunch, it was a family gathering). Suddenly they rushed us; ten people with machine guns came into the house. They took us in a bus, arrested all of us, men and women. I remember Massoud Foroughi, who had Parkinson's disease or some form (very advanced, he died shortly after), fainted and fell -- they left him there with Mrs. Foroughi to take care of him. But the rest of us they took.

Q. This was the first time you came in contact with the revolutionaries?

A. With direct contact, yes. They kept us in the bus. We had different versions; one said, "We were told Bakhtiar is in this house." By the way, when we came out, we saw a lot of people standing there watching this whole affair. They had made plans; they had blocked the streets and so on.

They took us first to Khomeini's, where he was staying. After that they took us to the prison, which was at the Ministry of Justice downtown; and subsequently, that night, because there was no formal indictment against us, the man in charge of the prison refused to hold us and released us. We went home.

From then on, I told myself, I've got to be careful. So I behaved with a very low profile. I stayed at home, wouldn't go out anywhere. Near Norouz, I needed a haircut very badly. I remember my

hair had become so long, and I always went to the Hilton to get a haircut. And also there was a tennis professional with whom I always played and I had paid him in advance until the end of the year. And the poor man felt that he must repay his debt and he used to call me regularly and I refused to go play. So this particular day he called me and said, "Sir, please. I assure you, everything is fine. All is stable at the club. We can go. They're all my own friends."

Q. Imperial Club?

A. Yes, this is the Imperial Club. And the Imperial Club is very close to my house. I said to myself, well, I'll go play tennis, I need some activity. And then after that I'll go and get a haircut and come home. And I remember I made an appointment with somebody, who was coming around twelve o'clock or so. So I went, had my game with the professional and then we said goodbye. I drove my little Paykan to the Hilton, I parked it myself, and I walked in front of the gate-man there at the Hilton, walked in there and I saw a number of Pasdaran [Revolutionary Guards] with guns standing there. I passed by them, went up to the barbershop and later on they came up there, arrested me without really knowing my name. They just had learned that I was a Farmanfarmaian.

Now it's a long story. They drove me through town with three cars and five machine-gunners, you know, using the siren and screaming every time we got stuck in traffic, "man to be hanged, man to be hanged."

Q. What would they say in Persian?

A. "Edami, edami," condemned man, condemned man, who was very odd of course; I had not even been interrogated by anybody. They had told me...

Q. Were you scared?

A. I'll tell you what my feeling was, this is very interesting. After they had put me in the car, I knew somehow, I said to myself, "Well, this is it." And I assure you, I have never been that calm through that whole revolution or afterwards. I was completely calm because I accepted the end, the very end. It was very interesting during that drive. The way they were driving, the way they were zigzagging in town, with these two guards on either side of me, if there was an accident the machine-guns would have gone off, my head would have been blown off -- and their heads too, probably. But I was calm and sitting there, would not even say one word. Finally we arrived at the Central Committee, which was located in the House of Parliament at Baharestan Square. And I entered the building. It was a mess. I waited awhile and suddenly a soldier came and put me into a room there and locked me in. There were about thirty people in that room.

Q. Where did you go?

A. This is the parliament, the House of Parliament, which was the central committee they took me to. And there a man would come and ask me some questions, then went out again. I didn't know what was going on.

By the way, before I left the Hilton, I simply told the barber, "Please call my home and tell them 'I'm sorry, I won't be able to make it for lunch.'" Well, they had called up my friends from my home and so on, and presumably one of my old friends from the Central Bank, who now was a power center, had come to the central committee and they respected him very much and they knew he was a man with power. And stayed there, slept overnight, to make sure they investigated me and didn't send me for investigation to the Ghasr Prison. If they had sent me to the Ghasr Prison, I was in line with Hoveida and the rest of them and could have been shot at that time. This man saved my life.

The next day they released me with an apology and a letter. They investigated, saying in the letter, a formal letter of the central committee that "we have investigated Plan Organization, Central Bank, and Bank Sanaye, there are no official or personal complaints against Farmanfarmaian."

Q. This is within one day they had investigated.

A. Well, I got there, let's say, about 11:30. The next day they released me around 2:30 or so. They had called these three agencies and they had called central committee, which had no complaint. They had called the Shemiran committee, there was no complaint -- you know, where my address, they had my address and everything. And on that basis, presumably they released me. Of course, I went on, I thought that this was it, you know, feeling that now every committee would know that I'm cleared. It was a silly, stupid thought.

And then, of course, the third time was when one of the top men of the Mojahedin sent a message that if I don't present myself, they'll put my name and picture in the newspaper and say, "He is wanted and he is free-for-all. Anybody who gets him, dead or alive, it's legal."

Q. Were you hiding? Why...

A. I was hiding at that time, I was urged by my brother to go and hide, and I was hiding. And I came to my brother's house and waited for the man who wanted to arrest me. The man came in, put the gun to my head and said, "<The> People have authorized me to kill you." And I said, "Why don't you?" The man looked at me with a sarcastic smile and said, "I have all the time in the world." The man stayed with me for four months, he investigated me once again, this time rather thoroughly.

Q. The [interrupted].

A. Yes. He allowed me... Oh, he had checked with the doctors; the doctors had told him, "He's suffering," and this was true. Both my ulcers by this time and my back were hurting tremendously. Really, I had a great back pain. He held me under house arrest and he stayed there; would go and come back. He investigated, he went to the Plan Organization again; I know because he brought documents, he interviewed my secretaries. He went to the Central Bank. And I must say that the head of the Plan Organization was one of my own previous employees, Moinfar (who is now minister), who was very decent about the whole thing and Molavi the same

way, who was one of the teachers when I headed the Bankers Institute, also had told this man there is no file against Farmanfarmaian. And of course, the same that there were no complaints.

Q. So this was the Mojahedin carrying out the...

A. Separate investigation, their own separate, independent investigation. And one day he came to me and said, "Sir, you're a very lucky person." This is the first time that he called me "sir" in a sort of a non-derogatory fashion. But he stayed on and asked me to make studies. He said, "What shall we do with you now? If we let you alone, you would run away." I said, "That's true, I will run away, because here I can't make a living and my mind will be destroyed. Why not, if I'm innocent, why wouldn't you let me run away?" He said, "We need you. You will be a very good translator." Yes.

I remember he called me from the American Embassy after the American Embassy was taken over. This is now a few days before I ran away. He said, "I've good news for you sir." I said, "What is it?" He said, "The 7th Fleet is coming to the Persian Gulf, there'll be war." I said, "Are you mad? A million people will be killed." He said, "Sir, how can I become General Giaps unless people are killed?" You know, I was amazed.

Q. He was serious or was he joking?

A. Seriously, seriously. He was young. Amazing, he was among the guerrilla fighters, he was imprisoned. He was a lost soul, his brother was very famous, was killed by SAVAK. Apparently his brother's wife was killed by SAVAK while she was pregnant, you know, this type of thing. And he had a real hate and venom for the whole setup, for anyone who was associated with it. But by the end of the day, he had become very sympathetic towards me and he had become my student. I'd sit down and talk to him for hours, about the world, about various things that I knew, about problems of the societies like ours. Then of course, when Taleghani died, they went underground. And he had become my supporter.

Q. At the time, did they think he was killed? Did they think his death could have been anything other than natural? Did he talk to you about that?

A. He never said to me. He said he doesn't believe, the Mojahedins don't believe in these damn akhounds. He said, "But we are Muslims and there's one we believe in and that is Taleghani." He would say, "Khomeini is not a bad man, but he's not our leader. We will not accept him as a leader." And after Taleghani died, they were left to the wolves, so to speak. And they began systematic destruction of Mojahedin, even then.

Anyway, towards the end, he would tell me, he would call me and say, "Run away, run away because Mr. Khoshkish during his interrogations has named you." And presumably, Khoshkish was asked, "Why did you set the rate of interest so high?" Khoshkish said, "Look, the rate of interest was set by the Central Bank, not by Bank Melli." This was true enough. They said, "Who was Central Bank and who headed Central Bank?" He said, "Many people during this period." "So all right, name them." So he had started to name them from Kashani, who was the first governor of the Central Bank after its creation. And Pourhomayoun after that, Samii after him,

and Farmanfarmaian etc., right up to his own time. He only mentioned me in that vein, not as somebody who was a culprit or... I knew Khoshkish. Khoshkish was a decent man.

So he would tell me, "Run away and hide." I did. And then he would say, "All right, now you can come back, there's no danger." He would come right before I ran away, for a meal at my house. He'd come and say, "Sir, help us. Help the Mojahedin, because..." I remember, one day I bought a typewriter from a relative, very cheap, and they needed a typewriter. I gave it to them, you know.

Q. Did they help you escape?

A. He went around town saying that after I escaped. But they had nothing to do with it, absolutely nothing. I would not trust anybody. I did my own investigation of how to escape, getting direct information from people who had used that conduit -- getting names and telephone numbers, modes of payment, and learning about the road. And I took the chance, I took the risk. It worked. They were wonderful people; they were Kurds. Wonderful people, I would never name them. And like many others, we used the same system to escape. But at that time, not so many had used it; afterwards, of course, many more used it. There wasn't only one conduit, there were several, you know, right across that border through various villages...

Q. Through Turkey?

A. That's right. And there wasn't just one group; there were many such groups who helped people to escape through Turkey. And later on, of course, the southern route was opened and people escaped also through Pakistan -- Baluchistan and Pakistan.

Well, I escaped and came to France and in France I got some temporary papers, because after all I had a passport, which was not in my name. The passport was good, but it was only my picture there, the name was someone else's. And that was that.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

DIRECTOR: Habib Ladjevardi

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NARRATOR: Khodadad Farmanfarmanian

DATE: January 19, 1983

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 14r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. As this may be our last session during your current visit to Cambridge, I'd like to pose a general question today and ask you to comment on it. There are those who say that a political system that places decision-making in the hands of one person allows for more speedy and efficient economic and social development of a nation. What was your experience as the managing director of the Plan Organization and, perhaps, as governor of the Central Bank in this regard? In what way did one-man decision-making support your efforts in planning for development? In what ways did it hinder that process? Especially if you could give specific examples of your experiences.

A. Well, I think you have asked a very, very important and difficult question, whether or not a system, an autocratic system or a dictatorial system would lend itself to speedier development of a country. I'm sure there are different views on this. Let me see if I can, without trying to speculate or to interject my own emotions on the matter, describe what in fact is the experience in Persia.

If you go back to our experience with the parliamentary process, certainly we reach one immediate conclusion, that there exists a definite correlation between absence of any real program of economic development -- whether we talk about economic development or modernization, if you wish; and modernization at the turn of the century when we began, after the Constitutional Revolution to have our parliaments and after the First World War for the brief period during Ahmad Shah -- who was a constitutional, democratic monarch -- and after the Second World War, the period that we enjoyed parliamentary democracy before 1953 when the parliament was closed by Mossadegh. We definitely see that during these periods when parliaments were in session (and they were real parliaments), we hardly ever had any real program of development.

When you look at the first, that is, before the Second World War, the periods where we had parliaments, you can always say that in those days there wasn't such an awareness regarding economic development in a country like we had after the Second World War. Therefore, one cannot be sure and one cannot make the final judgment that the presence of the parliament conflicted with the execution of an overall development program.

But certainly after the Second World War, not only we were aware of the need for development - we certainly had cause to develop. The country under the occupation forces had deteriorated significantly, that is industrial capacity, the little industrial capacity that had existed before the Second World War had depreciated significantly. Our roads were pretty well destroyed. Still the towns did not have water systems (even in Tehran), sewage systems, and electricity. And there was much concern for improvements and of living of people and increasing production, such as agricultural production, industrial production, and improved housing. There was great need for all of this.

We also knew that during that period, that is, after the end of the war -- let's talk about '45, take '45 to about '53, those seven, eight years -- there was also awareness of the need for economic planning (as a matter of fact, we have talked about this earlier). The first development plan was not only discussed during this period, it was inaugurated during this period, and it was supposed to be going forward.

But even in the earlier period, there was always a felt desire through the country for improvement. In the earlier periods, we have people at the end of the nineteenth century talking about the need for roads, the need for increased production in the country, like Mirza Malkam Khan, I referred to the other day. The need for educating of the people, the need for opening up new universities and polytechnics.

But we know from history that during all these periods when there was, shall I say, real constitutional monarchy, where power was not concentrated in the hands of one person (such as we had during the period of Reza Shah) we experienced at least very little economic development.

Again, let me say that I'll be the last one to say that it was because of parliamentary and democratic constitutional system that we did not experience development. I'm sure there were many other causes. But this parallelism exists, this and one has to at least perhaps attribute or examine the relationship between these parliaments and lack of economic development.

On the other hand, the first touches of development, the first taste of development and modernization Iran had ever experienced was during Nasser ed-Din Shah who was an absolute king, an absolute monarch, with his Prime Minister Amir Kabir in the mid-nineteenth century. And certainly, during Reza Shah we see, again there is a great experience with development. And finally, during the reign of Mohammad Reza Shah, we experience economic development, even before the oil prices went up in 1973.

Can we therefore turn about and conclude, by just this superficial look at our history, and simply say that when there is a dictatorship we can have economic development or we have experienced economic development; and in the absence of a highly centralized, absolute type of a regime, we have failed in economic development?

Now there's also as part of your question, the meaning of economic development. I'm not trying to be pedantic at all, but I want to understand the issues myself here of your forcing me by this discussion, to reexamine things for myself. Surely if you talk about economic development as physical development of things and only take it in that context -- physical development of things in terms of buildings, roads, ports, factories -- I have no doubt that the period of Reza Shah and the period of Mohammad Reza Shah, that is after 1953, stand out as the most important, most significant periods of development in Iranian history. And to that extent, one must say that the implementation of these programs obtained definitely from the fact that they were in such a power position.

Now, to examine my own experience, personal experience, I have very little doubt that it was because the leader, the king, the Shah was able to wield power that to such a great extent, we were able to achieve in fact the physical development that we have experienced. Had we had a real parliament with a constitutional monarch -- and the only personal experience I've had with this is my personal memories as a child, as a young boy in the post-war period; and I remember distinctly that to get any decisions through the parliament from the stage of proposals to the stage that it was finally a law in the country that proposal, its intent and purpose was certainly, basically changed and diluted in order to allow for the interest of private or special interest groups, and frequently not in the interest of the public at large.

Again, although there were cases like this, let me make one statement. For example, I don't think we would have ever got, and we never did, a land reform program through the parliament, not for a long, long time to come, if we had a democratic process like that. I think the members of the parliament would have rejected a true land reform. They may have approved some kind of watered-down bill, but in effect it would not have hurt the position of the feudal landed very much if a law was presented by the government and finally passed through the parliament.

Q. You think the landlords would still be in the majority if there were indeed free elections?

A. Well, I think, I think certainly the landlords, in the absence of any interference, were in the majority. Our country was a highly underdeveloped country after the Second World War. Politically it was underdeveloped, to be sure, also. Who would be elected in the most natural fashion? The people who were in the villages that belonged to such-and-such a khan or prince or feudal lord would naturally vote for him. In fact, there was the practice in some areas, they would allow that many votes for the man who owned the village, automatically they would allow two hundred votes because he owned the village, an estimated two hundred people.

Obviously, we would have continued for a time to receive into the parliament representatives of the landed. Obviously, I think, the composition of the parliament would have been primarily the landed and the bazaar merchants. And not very much more. And if you combined these two interest groups together, the type of development that Iran would have got could not have possibly been the type in fact that we did experience under both Reza Shah and Mohammad Reza Shah.

Now, let me go further, deeper into personal experience again. Please understand that when I'm saying this, I'm not saying that one person's decision always necessarily leads to a speedier

implementation of projects. Certainly I am saying one thing that it is not at all true that one-person decision-making, or this type of regime, would always end up choosing the most ideal type of investment programs for a country according to well-studied plans by neutral, non-political experts. The second is not true either. And I want to discuss this aspect of where I have given credit to the fact that when you have concentration of power in the hand of one person, our experience has been, as it were, we have got far more economic development in the country than otherwise.

And I have speculated that if we had continued to have the post-Second World War parliament, up to now for example, or up to the time of revolution, we would not have, we could not have got as much or as fast a pace of development as, in fact, we ended up having.

Q. In discussing the parliamentary system, you only referred to your memories as a child or a teenager during the forties. How about in the late fifties when you were head of the economic bureau and there was a parliament in session at the time which had more of a role in making decisions than later parliaments. What do you recall about that period? What was the nature of the parliament and its impact on the Plan Organization?

A. Don't forget, I started in '58. And already by that time, certainly a year later, we will see that the parliament is under attack as being not a truly elected parliament by Dr. Amini. There were in the interim two elections. That is to say from 1959 to '61, we get two elections because Amini questions one, another one done by Sharif-Emami still was questioned. And then comes Amini, exactly like Mossadegh, ends up closing the parliament, or preventing an election and rules by decree.

The practicalities of electioneering in a country like ours, even if you were to carry it out, even if the government was so popular that you would know people who wanted to support; but the way representatives were elected, you may have ended up getting the type of representatives in the parliament who would not have necessarily supported, let's say, the popular governments. This was Mossadegh's experience and it was Amini's experience. This was the experience of both of them. And this is extremely interesting in our history. The two people who believed in the constitutional type of monarchy, who believed in the parliamentary process, who were products to such a great extent of parliamentary process -- both Mossadegh and Amini ended up closing the parliament.

At that time what I saw (it's true), that my experience of, let's say, '58, '59, '60 was that the parliament was not as docile as it was in the later years when the Shah really wrested power and exercised his full power.

Q. It had to be taken into account during that time? Did the parliament have to be taken into account somewhat by the Shah? Did it matter?

A. To some extent. I don't remember Dr. Eghbal, for example, being overawed by the parliament. And you remember his famous statement, would not even allow the parliament to question the government until, according to his famous statement, "He had first the permission of the Shah."

But still, during that time I remember the budget debates. The budget debates had much more depth, they were much more serious than in later years. My god, in later years the budget would go through in three or four days and that was it, you know.

Q. In listening to Mr. Ebtehaj's tapes, it seems that during that time -- or at least during his leadership of the Plan Organization -- there were times he had to go and convince the members of Majles regarding certain projects and so on, as if it was necessary to convince them, otherwise he could not have gone ahead with his plans. Were you at all involved in these...?

A. Sure. There was no doubt that we had to go before the parliament, I mean, in those days, that the responsible authorities had to go before the parliament and convince them. But I don't remember yet one occasion where in fact the parliament -- except as there was a fight between the government as such and Mr. Ebtehaj -- the parliament turned about and opposed or prevented completely the execution of some of the programs under the second seven-year development plan during Ebtehaj's administration. I don't really remember.

And don't forget, Ebtehaj found himself giving these explanations because of the slowly brewing opposition against him and against the Plan Organization and the fact that they referred to Plan Organization as the "government within government." In that sense, he found that he had to go before the parliament (by the way, closed sessions of the parliament in his case, because he was not a minister) to explain various programs. For example, like the Khouzestan program, which involved large allocations of funds, as well as transfer of administrative authority, to Lilienthal and Clapp for the development of Khouzestan, in which he believed, which was deeply studied, by the way, and which was (as you know) to some extent supported at the end by the World Bank. That is, at the time when the World Bank supported it, Ebtehaj had already left office, by the way.

There was opposition. But opposition emanated also, certainly, from other facts that Ebtehaj would ignore the constant demand of the members of the parliament -- I'm saying would ignore in the sense that he didn't have the funds, he didn't have the possibilities of satisfying all the demands of members of the parliament. Every member of the parliament wanted for the towns that he represented or the villages that he represented; he wanted water, he wanted electricity, he wanted sewage system, he wanted a bath, he wanted a school, clinics, and so on; and it was impossible for Ebtehaj during the plan to provide them all with it. We had to be selective, both geographically we had to be selective as well as in terms of the total amount that was allocated for such purposes that I just mentioned. A lot of money was going for industrialization; a lot of money was going for the building of major roads and so on.

The types of projects that were close to the hearts of the members of the parliament constituted a small amount of work (at that time much larger, by the way, than later on) but small amount of the total available funds for development. In that sense, there may have been a genuine opposition to Ebtehaj, or at least pressure on Ebtehaj. That's why he went there and tried to reason and say, "Look, we have to develop the country, we have to develop our ports as well as the villages. We cannot just concentrate our funds on this."

I remember in those days, the members of the parliament would, for example, develop such theories that Iran should put all of its money only in agricultural development. I remember reasoning, as a matter of fact, in closed sessions of the members of the parliament who came to the Plan Organization. I'd say, "All right, let's assume we put all our money into agriculture. The development of one acre of land would require a plough. The plough has to be imported or the tractor..." because when they talked about agricultural development, they were talking about tractors in those days too; the tractor had to be imported. "How do you import the tractor? First, you don't have foreign exchange. Two, how would you import the tractor if you don't have a port and the roads connected to the ports between the agricultural areas and the ports? So we have to put money to development of ports. So we have to put money to development of roads. So we have to put money into training of, let's say, drivers or farmers who could drive the tractors and maintain them afterwards, and so on, in order to produce, improve agriculture."

You see, they were not all that versed in our economic problems. But in later years, you'd never get this type of argument coming out of the members of the parliament. Much later, they had already understood that the country cannot just put all of its money in agriculture and nothing else.

Q. It sounds that these demands these people were making, regardless of how they were elected, it sounds like they were legitimate....

Q. It sounds like a legitimate demand that they were making and it was the collective judgment of the planners and these members of the parliament could be considered as acceptable procedure for deciding how to spend the money.

A. Let me not for a moment even create the impression that all that was coming out of these parliaments, even the later parliaments, were the type of demands which were irrational or the type of demands which did not relate to the interests of the people, no, no. I would not say that. Certainly these individuals, who may have been motivated by other reasons than the genuine interest of their constituencies, often publicly (in the committees) made a fairly decent representation -- to the end, that I remember -- about the needs and requirements of their villages, regions, certainly regions. For example, those who represented Baluchestan would argue very strongly as to the needs of this underdeveloped state that we had. Oh, there were, I will not underestimate for a moment, or reject as untrue, genuine representation in terms of words.

But when it came to government, putting down its foot and pressing for the passage of a law, then they toed the line, these members of the parliament. Certainly, discussion was allowed -- under Reza Shah it was allowed too -- but to what extent these discussions were couched in terms unrelated to their fears of not being elected the next term, by the government -- who was the main instrument of election and not the people -- now that is a different story.

In any case, what I want to tell you is that if we say from '53 onward everything was left to the type of parliament that we experienced before that date, Iran would not have had as much physical economic development. For one, let me again give you an example. I gave you the example of land reform earlier; I don't think it could have passed. The example of women's rights, I don't think it would have passed. It was openly imposed by the crown; there was no doubt about this. Nationalization of water, I don't think it would have passed, because people

owned water. Nationalization of forests, I have very serious doubt that it would have passed. Yes, the sale of government-owned industries to the public probably would have passed -- the manipulations within the law to make it so that people in the private sector would have ended up to own these things almost freely.

But on the other hand, I think for example provision of water and electricity for the regions would have passed. Provisions of credit for the regions, for agriculture, for the villages, provision of cheap credit would have passed. There would not have been conflict in those terms.

Q. How would the profile of the expenditures have been different in '59 if you were obliged to listen to what these people were saying?

A. That's a very interesting speculation. I think the heart of the Plan would have been (and oddly enough, what now I think should have been) development of agriculture -- by the way, the heart of the Third Plan was development of agriculture, except that as we experienced the absorptive capacity of agriculture was far less than the industrial sector. But nevertheless, the law as it would have been passed by the parliament in the absence of...

Q. This is the Third Plan?

A. Yes. In the absence of a strong prime minister with great influence within the parliament, and if we assume here that the parliament was very powerful, the type of thing that we would have seen, perhaps, was (as I said) development of water, electricity, sewage systems, schools in the villages, asphaltting of streets in the villages, little towns.

Q. This is what the members of the Majlis were demanding?

A. I think this would have been the tendency. The development of... by the way, all of this in the absence of land reform, please understand this.

Q. In the absence of land reform.

A. In the absence of land reform, which would have meant certainly increased economic gains for the landed, for the feudal lords at the end. I'm sure they would have pressed for schools, I'm sure they would have pressed for better health accommodations, because all of these things were the responsibility of the landlords, as it were, in the villages. And this would have helped the landlords. Once school came in from government funds and once the village roads were improved, they would have stood to gain from these things and I think they would have pushed for it, they would have pressed for this type of development.

Q. What were the projects that they were opposing?

A. They would have opposed, for example, the Khouzestan development of a major dam, which would have eaten up most of the funds. They would have opposed the development of major roads, electrification of railways, let's say. They would have opposed the building of structures such as opera houses, and so on. As I say these things, it sounds -- please, let's not confuse the

process with intent. I'm doing it. I'm saying, in spite of the fact that if the parliament was powerful, it would have taken longer to make these decisions and implement these decisions. At the end what would have been implemented would have been this type of program. Whereas a great deal of this was also done under the circumstances where we had decision highly centralized in the hands of the Shah and government; and some of these things, perhaps, were achieved faster than they would have been otherwise.

But I have no doubt that if the parliament was stronger at the end, the nature of economic development in Iran, the composition, that is, of economic development in Iran, would have been different than the way it turned out. Every official wanted to achieve something physical so that the Shah could be brought about to see it and cut the ribbon and receive a medal.

Q. By everybody you mean who, the...?

A. Ministers, I'm talking about the government. Therefore, generally speaking, the type of thing that government people or the power elite carried out were big physical development type of projects.

Again, one shouldn't generalize so easily. I'm not saying the only motivation was to cut the ribbon. Certainly motivations of the government may have been much more rational than just cutting the ribbon in many cases. I mean, after all, one could make a case for Iran having a steel mill. One could make a case for having a large dam, many large dams in a country like ours, where water needs to be conserved and preserved. Certainly we could make a case for having many ports and factories, there's no doubt that one could make a case. But I'm saying that the tendency of the government under leadership like the one we had would have been to do more of this type of thing than to spend its time and money on the type of projects, the results of which was very difficult to show immediately -- such as (as I said) improved seed, improved agricultural production, or improved agricultural productivity, or improved education, improved health. These were not the type of projects, you know, that you would immediately see their effects. You had to wait to see their effects and there was no patience.

They wanted to see more than that; they thought that by developing these major projects, you know, Iran is developing and indeed they had this image of things. They had what I called "edifice complex" and it drove from this feeling that once you see the factory built, Iran is developing. Nobody would see feeder roads. Feeder roads were essential. Nobody would see storage houses in the agricultural areas of the country. Nobody would see a drainage system in Khuzestan or in other areas where previously you had perhaps too much water and destroyed the land or caused salination of the land. Nobody would see programs such as improved culture in agriculture.

So in that sense, I'm separating a true parliament from a dictatorial type, autocratic type of government. The Shah also wanted to show to the rest of the world what great things we have. Nobody could see those other types of projects. Whereas because the members of the parliament were so many and they didn't have that much responsibility to show anything to the rest of the world, probably I'm saying, they would have ended up pressing for these other types of projects, rather than the huge projects with a gargantuan appetite for funds.

Q. Can we separate the speculation from the actual experience that you had? Do you remember specific members of the parliament asking for specific projects of this sort?

A. Yes, the only thing I ever remember from members of the parliament, the only contacts I ever had, and none of them came to me and said, please build us a steel mill. Or I never heard any one of them ever directly appealing for a steel mill, except as the program, for example, was suggested by the government and they said, bravo, bravo, bravo. But it didn't initiate from the members of the parliament.

But many times they came asking for another clinic in such-and-such a village or in such-and-such a city or little towns in their underdeveloped regions or in the regions, whether it was Azerbaijan or Baluchestan or Khouzestan or wherever it was. Many times I experienced this, that the members of the parliament came and asked for electricity for a village, electrification for the villages. They came and asked for and pressed constantly for schools, for asphaltting of the main streets, for water-pipe system of the town, and so forth -- this type of project. This part is extremely clear to me.

Q. Do you remember specific people?

A. I remember specific members of the parliament, from 1959 and so on, who came and talked to us. After all, we did have a plan committee in the parliament and we went to them and certainly at the time when they were examining our Plan proposals. The only speeches that I remember were speeches favoring this type of projects -- this hospital, you know, they wanted hospitals, they wanted schools, they wanted clinics, they wanted roads, they wanted asphaltting of their main streets. They didn't ask for Boeing 747's or major airports. They didn't ask, as such, for steel mills; although genuinely there were members of the parliament who believed Iran should have steel mills, who had that type of ambition for Iran. And when the government proposed it, they didn't, I mean genuinely, they didn't oppose it.

Although they believed Iran should have better roads, better ports, better railroads, this didn't conflict. But I think they would have attached the greatest of priorities to those other projects and in that sense, the nature of the development of our country would have been different.

Q. What were your own sentiments at the time? How did you react then, what would you say to these people?

A. To be very honest, I mean it's difficult, I doubt how many people would say this to you. We had no patience for them. We were a different species, don't forget we were technocrats. In our heart, we believed they knew nothing about economic development and the less they interfered with us, the better it was. Genuinely this was the case. Not only my case, but also all my colleagues that I remember. They didn't like to go and answer to these members of the parliament whom they suspected of having certain special interests or being bought by somebody, or being owned by someone and so on. We did not have much respect for the members of a parliament, which was dastouri, or appointed rather than elected.

You know, we were most suspicious of them, with a lack of any real respect for them. Being technocrats and having so much to do -- don't forget, we had a great deal of things to do, certainly in the early days; the amount of work that was in front of us that we had to address ourselves to -- we just didn't have any patience for these people coming and taking our time and telling us, or for us to go before the parliament and sit there (in the committees, of course) and describe and discuss and explain about what we were doing. Our attitude was that these people really do not know very much and they do not matter. This was really what happened at the time.

This attitude, I'm afraid, prevailed in the heart and in the mind of that whole group of technocrats who ruled the country under the Shah for a long, long time. They had no real respect for the parliament. And in a way one couldn't blame them because the parliament didn't constitute a source of power. If the parliament had constituted a source of power, perhaps our attitudes would have been formed differently also. We would have learned slowly, slowly how it is to go sit before the committee day in and day out, to explain things to them in order to get their approval, to make sure their approval was coming forth for our programs.

Q. But did you ever have, among yourselves, a discussion on the content of the request, discussion of whether really we should assign a higher priority to the type of project that these people are interested in?

A. Oh yes, oh yes. But only as a carrot, only as a carrot, not in a sense that we would allow the government to fail in its own program. Most of them, mind you, did not truly represent the people because they were appointed. There's no doubt, we knew about this. That's why we didn't respect them. Some of them were quite illiterate, But not all of them. I could have conceived that some of these people would have got elected anyway, even if elections were totally free. And some of them were certainly learned; some of them were highly intelligent. They could listen, they could question properly and push for their own interest, you know. But we had no respect because we knew that they could be changed, we knew they could be brought under control. We didn't fear them. We didn't really feel answerable to them, this is the truth. We didn't feel answerable to them -- there were genuine reasons for this, as I said.

You know, I have gone through all of this, but I must reach a conclusion which is the result of a great deal of thought. When we talk about sort of democratic regimes vs. dictatorial regimes and the effects of this on economic development, and in your question you say that some people believe, as we did -- in fact I went around saying -- that we do need a form of national discipline before we can push our economic development forward; which is a faulty argument in the sense that I meant in those days, but in a different sense perhaps it is not faulty, which I'm going to explain now.

When we talk about this type of problem, you must remember that economic development, as such -- that is, in terms of both production of goods and services, in terms of physical buildings, in terms of accumulation of capital -- as such is never, it cannot be the goal. It is economic development as it is directly related to the raising of standard of living of people, genuinely bringing about human development, which must be the goal. If we proceed successfully even, as we did for many years, to achieve sheer physical development without really including people in the process of decision-making, at the end there is the danger that these people will not feel

really in some way responsible for what has been achieved and they can, by a simple uprising, destroy all the gains that have been made in the past -- because of lack of genuine interest in those activities, because of lack of understanding of the implication of those developments to their own lives, because of lack of the training within a national political milieu which would allow them to behave or which would, perhaps, force them to behave differently.

The more I think of the question of choice as between democratic (and I will qualify my statement for you there) vs. autocratic type of decision-making and their relation to development -- as I grow older, as I have had now much more experience than when I started back in 1958 -- let me say to you that I feel that the question is not which is better or which is more efficient, the basic question is which one will work and my conclusion is that the only thing which is bound to work is the democratic approach. I cannot see, I cannot see how anymore in this day and age we can have even benevolent dictatorships without true participation of the people in their own affairs, in their own development, working for any real length of time. These systems may work for five, ten years. But there are inherent within such systems, that is autocratic systems, certain forces that would, after a certain period of time, destroy any even benevolence or destroy the governing principle of benevolence and begin to make the system go askew -- to the point where the system becomes highly corrupted and begins to fail of producing what its own intent may have been at the beginning.

But the democratic system is a difficult system in this sense that it will take time. And we shouldn't be afraid of, these developing countries should not be afraid of taking that time. If you don't take that time, you are not having genuine economic development. I cannot separate economic development from political development -- it's one and the same thing. You cannot develop societies in an unbalanced way that we have, in terms of "economics" or growth of production and then leave the mass of population totally underdeveloped in terms of their education, in terms of decision-making, in terms of being part of the community at large.

You cannot leave people out of any system that is supposed to produce economic development. In that way it is time consuming, these people have to be trained, these people have to practice and the only place where they can practice and experience democratic political process is in a genuine democracy and a genuine parliament. And one shouldn't be afraid of the instability or temporary instability that results. One must allow, must accept the cost of instabilities, must accept the cost of this lengthy process which is called democratic process; because then things may become rooted and then there is a long-term continuity and perhaps the system will not break as easily as we have seen the Iranian system break or other systems throughout the world break.

I would opt for a democratic approach after all these years of experience; and I don't think that economic development can only result from dictatorial type of regime and that is the most efficient way of developing a country.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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DATE: January 19, 1983

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 15r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

performance of the economy at about the end of the Fourth Plan, before we prepared the Fifth Plan.

That is, when I say review let me explain to you. The review involved principally an assessment of the performance of various sectors. And this review was at the later stage combined with the assessment of availability of funds. Then once we had the performance of the sectors, the availability of funds, then we would make projections for the next, let's say, five years, we would proceed to collect as much information as we could by way of, let's say, the pronouncements of the Crown regarding the overall goals of the country such as would appear in the white revolution -- what were the expressed desires, what were the published, in fact, statements from the Crown, we would collect those and take those into consideration.

Q. What would that mean? You would collect his speeches or...

A. We would collect in the sense that we would read, analyze, sieve, and try to find out on our own what were the type of things the Shah was deeply interested in. Additionally, we would have sessions with ministers and prime minister to try to find out their views on what ought to happen.

There were committees, Plan committees that were established for each function and sector such as agriculture, industry, and social services. But within them also there were subcommittees, for example, agriculture dealing with agricultural credits separate from improved seed and factors that went into development of agriculture, or feeder roads separate from these others.

In industrial, for example, we had separate committees dealing with oil, steel, etc. Many committees which would be studying, constantly in touch with the operating people directly dealing with these sectors or these sub sectors, as I have pointed out, and the information would flow back to the Plan Organization; and on that basis we would develop a draft of some sort.

At one point, we would go before the Shah, now this could be a special meeting with the Shah and all the ministers.

Q. Could we just be as concrete as possible? Maybe you should take the Fifth Plan instead of jumping from third to fourth to fifth. Staying with the Fifth Plan and trying to really look at it from a point of view. At what points did the Shah's desires/wishes get interjected into this planning process?

A. One in an informal way, one in a formal way?

Q. Both, both.

A. The informal way is, as I said, we would go about -- there was enough material around in terms of the Shah's previous instructions or statements that dealt with various problems -- all the points that were in the white revolution, we would take those. And the formal, we would collect all of those at the same time we would have collected or verified the views of the Prime Minister

and ministers, who also were quite aware of the Shah's -- both personally and formally -- desires and so on.

Then at that point -- in the case of the Fifth Plan specifically, but this was true in the case of the Third Plan also -- the Shah would come, let's say, to the Plan Organization, where we would give him our preliminary ideas and ask for his reaction. In this particular meeting on the Fifth Plan, even the army people were present. All the ministers were there; a lot of undersecretaries were there. This meeting convened in the Plan, in the building of the Plan Organization itself. Well, in this particular case I made a presentation regarding the basic philosophy and the framework that would guide us in the preparation of the Fifth Plan, which was to be completed a year and a half later. The Shah then would give his comments.

By the way, before he would come, I had gone to him and explained the purpose of the meeting and had given him an idea about our findings -- not in great detail. And then when he would come, he would listen for an hour, an hour and a half, even sometimes two-hour presentation or several presentations, before he would make comments.

Q. You're referring to this time that he came to the Plan Organization?

A. Yes. He made comments, these comments were taped and people were taking notes of these comments and these comments would be subsequently, of course, used, quoted in our attempts to put the Plan together and give it shape.

Q. Were there any attempts at this meetings to change his mind?

A. Yes. Now the process of these meetings, to the extent that these meetings were formal meetings, they were not debates with the Shah.

Q. This was one meeting or a series of meetings?

A. No, no. This is one meeting. Then you see, after this one meeting where he sort of gave his overall views and philosophy and so on, we would have of course separate meetings, both in the high economic council (that is, with the presence of the prime minister, minister of finance, minister of agriculture, minister of industries, and the governor of the Central Bank, the head of the Plan Organization); but also in private meetings between myself and the Shah, where some of the thorny problems would be discussed.

For example, in the case of the Fifth Plan, we felt that the country was slowly, slowly beginning to develop inflationary tendencies within it. Our estimate of inflation during the Fifth Plan, if we were to carry out the Fifth Plan, was about eight percent, as it were. That's before, of course, the oil price was increased. So we presented as an argument that we should perhaps spend less, we should control certain types of expenditures and shift from, let's say, long-term investment to the type of projects that would have short-term fruition or short-term gestation period, so that we would increase the flow of goods and services faster than the other alternatives would have allowed, and thus decrease the pressure of inflation within the system.

Or the bloody war over allocation in agriculture for these big agro-industrial projects that I must have taken to the Shah five or six times, argued against them, saying that they are the gargantuan eating all the funds for agriculture, not leaving us much to do with other areas of the country, other agricultural projects that were separate from this agro-business. And questioning the wisdom of agro-business for example. That debate went on, of course, even after the Plan was approved, for a long time.

Such questions as allocation of funds to support concessionary credit for industrial development. My argument was, let's say an argument, I say my argument because at the time I was representing the Plan Organization, but these arguments came from within the Plan Organization. Look, I pointed out, so far we have sustained, supported the concessionary funds through the IMDBI (that is, the Industrial Mining Development Bank of Iran) and we have created a few industrial giants, to be sure. But, now we must be sure that this money does not go back to these industrial giants, since these industrial giants have now excellent credit rating -- they can on their own, on their own signature borrow in the market all the money they need. Therefore, IMDBI must be directed not to give concessionary funds to these big industrialists. Rather, these funds must be reserved for the purpose of newcomers into the industrial sector, to give possibility of development to the, let's say, young engineers who have just come back from Europe or the United States in order to establish an industry and get started. Or people, for example, in the south of Tehran who had already begun, shall we say, an intermediate technological revolution. It was a very, very interesting phenomenon; where, you remember, Darvazeh Ghazvin for example, there were these small shops that could reproduce any part of, let's say, a Mercedes-Benz. All they needed was a lathe, which would have cost \$30,000, \$40,000. I was arguing that funds should be going to these people. And they would have used it twenty-four hours a day in the sense that they would have shared the lathe with other shops around; and slowly, slowly this would have developed to become a great industrial base. And from out of them maybe we would have got some major industrialists also.

My argument was that Iran should not be satisfied with ten major industrialists. It's a feudal form of development in industry. That we must begin to push and create five hundred large industrialists, then we have a real industrial base in the country.

Q. Who was against you on this?

A. Minister of industries and mines and later as minister of the economy, Mr. Ansari -- Mr. Houshang Ansari, who fought me like the devil over this. And it continued, the fight continued right through. The Shah was sympathetic to my argument, so far as I saw. What he told Ansari behind my back in private, I don't know. Ansari would come and say, "The Shah agrees with me." Every time I went to the Shah and asked, he would say, "No, you do what you're suggesting." Finally, I raised the issue in the High Economical Council -- again the Shah sympathized with me.

Q. In front of Ansari?

A. In front of Ansari, in front of the prime minister and everybody.

Q. So what happened?

A. I put it in the Plan, exactly with the conditions we wanted. Of course there were lots of people who started really opposing this. But you know, now that I think about it, it wasn't because Ansari, as such, disagreed with the philosophy. But as a minister, like all ministers, what he disliked were controls imposed by the Plan upon him when he would make a decision, when he was supposed to make a decision to allocate the fund. You see, this was a big problem. On philosophical grounds, they may have had a great deal of sympathy with this approach, but what they wanted was a totally free hand. In other words, they didn't wish to be disciplined. They didn't wish to give accounting of what they were doing. This is what, at the end of the day, would bother them. Not so much that they didn't understand what I was saying or that they didn't want, in fact, to see the country flourish in the way our proposal suggested -- namely, to have five hundred Ladjevardis and Khaymis, etc., our great industrialists who were quite successful, also. And everybody believed that. We wanted to have five hundred of them instead of having ten of them, instead of having twenty of them. I'm sure Mr. Ansari agreed at heart with that philosophy. The Shah agreed at heart with that philosophy. The prime minister agreed at heart with that philosophy and Mr. Kheradjou would agree, who was supposed to be lending this money out. But the problem was that all of them wanted to do their own thing freely without having to go according to certain limiting rules and regulations.

Q. There are those who say that these ten or twenty large industrialists really controlled the government and therefore these government officials, even at ministerial level, were the agents of these industrialists. Is this true?

A. That's sort of a Marxist type of analysis that the state is the instrument of the monopolies and have the.... I don't want to underestimate the fact that they had power. But they had power both in a formal way and informal way. In terms of formal ways that they had ten, twenty, thirty thousand workers working for them -- that gave them power. The minute something would happen, they'd say, "Now, look. We'll have to lay off people." That threatened the state, that threatened political stability; and nobody wanted to fool around, nobody wanted to cause this. Their informal power was that they were interrelated, interconnected, yes, with people around. They knew all the ministers; they were intimate with many of them, with the prime minister. And they had resort to the Shah directly, also.

But I would never believe that they could force anything upon the government; and many times I had seen that something that they were after and pressing for rejected. Certainly when it came to the technocracy. I don't remember ever that I was cowed, let's say, or I don't remember my friends who were a part of this technocracy, were afraid or were cowed by such industrialists that you and I know, of whom there were, let's say, ten, twenty.

It wasn't the easiest thing to reject -- I saw this happen many times, the same case of Mr. Rezaii who was after some kind of importation of steel, I vaguely now remember. This is some years back, going back to 1972, and he insisted that he should be allowed to import some raw steel for his factory in Ahwaz and this was openly rejected. He raised the devil about it; he went to the Shah, back and forth. At the end there was a compromise to be sure, but he never had his way the way he wanted at the beginning.

There were many cases like this, where openly they would be rejected, without any fear. I don't remember these industrialists coming to my office in the Plan and dictating things to me in that sense. At times they could have bought certain individuals, this is possible, I think.

Q. Sub-minister level or at minister level?

A. Principally sub-ministers. This I would really argue very strongly. I do not know if they ever owned, in terms of buying, actually owning a minister. I don't remember. They were close, some of these people, were close friends of some of the ministers. In that sense they had the ear of the minister, to be sure. They made him understand their problem and the minister developed sympathy for them. That I understand. But they bought many people underneath, in terms of getting information and finding out who was opposing and therefore finding a way to get to the man who opposed, or pressing the man who opposed, or try to remove even -- yes, try to remove the man who opposed.

But I didn't find it to be true that the state was simply a committee representing the industrialists, of these great industrialists. That is not true. That's just sheer generalization that you'll find in textbooks on development. There was much, the process was much more complicated than you would read in a textbook, in these simple Marxist-type of textbook generalizations, that the state is no more than an instrument of the monopolies. That is not true. Far more complex, there were many other factors entering into this that were inimical to the interest of these industrialists.

Q. Going back to this, still trying to figure out what were the comparative roles of the planners compared to that of the Shah and the ministers. Where did the ideas, the major ideas, for these plans come from?

A. Well, we really had a great deal of freedom, I think -- the technocrats -- in formulating the ultimate proposals, the power of tabling a paper. The bureaucrats did that. The technocrats did that. And that carried a great deal of power. Generally speaking, these papers, these plans were accepted without too much ado and difficulty. Furthermore, they were too complicated for many of them to really understand what's going on and too long for many of them to read. What happened is this: the rub comes that in the implementation they proceeded without any due consideration to what was in the Plan. You see, there is the gap, there is the rub. Between what they had themselves approved as a Plan (let's talk about the Fifth Plan which was the last), I give you my deeply considered opinion, if a hundred people throughout the whole country from the Shah down to the bottom ever read the document of the Fifth Plan, I certainly would be very surprised.

So you see the limitation in that sense. They would approve and make great fanfare about the Fifth Plan or the Fourth Plan, for that matter. But you would see the minute the Plan was approved, already ministers coming and pressing for changes in the Fifth Plan.

Q. Let me ask my question this way. If we go down the Fifth Plan right now, allocations of the Fifth Plan, and to categorize them this way: this was a project or an idea or the wish of the shah, we at the Plan Organization didn't have any sympathy for it, but it's there because he was the one

who dictated it. Or, this is the one that we wanted -- the technocrats wanted, the planners wanted -- the Shah allowed it to be there. And then a third category, those that we jointly agreed that this... How would you?

A. In this, are you thinking of percentage?

Q. I don't know, any way you like to put it, even maybe name some projects. You know, you've talked about the military before. During your talk, you talked about these atomic power plants and these other things.

A. Sure, sure. The Shah had many such projects in mind.

Q. Again, I'm going back to my original question of trying to figure out the positive and negative role of autocracy on the process of planning.

A. Well, in terms of the projects very dear and close to his heart, I doubt very seriously that any one of them would have missed being in the Plan. They were all there.

Q. Which were these? Which were the ones that were close to his heart and were not close to the heart of you and your colleagues?

A. Nuclear power. Development of steel mills. Military aside, I mean the whole of the military, which took so much of our resources. Military-industrial establishment, which was industrial. A lot of the military-industrial establishment, a lot of the military expenditures and so on.

Q. This was what, the military?

A. The production...

Q. The production of?

A. The production of weapons and weaponry and shells and missiles and parts for tanks, for even planes and so on. These were all in the making, they were coming about -- and even such plans as production of full tanks, which were being seriously discussed within Iran, and we were expected to be producing our own tanks.

Development, of let's say, Chah-Bahar base. These are huge projects. It wasn't a question of only nuclear power generation units, as such, but the number of nuclear plants. If I am not mistaken, they had in mind something like twelve units. This of course after the oil money started to flow in.

Q. Again, these are categories of items, which the planners had no or very little sympathy for?

A. Certainly, we didn't have sympathy. Even to the planners to the end we never had sympathy for establishing so many units. Look, at best the planners would have agreed or acquiesced to having one nuclear power plant to allow for development of skills within Iran and slowly, slowly to use nuclear power as sort of a supplementary source of electric generation. But, certainly not

eight of them, that were negotiated and being discussed. Two of them already being built, to be finished by '78, four others were negotiated for Esfahan and for Khouzestan. Two in Khouzestan, two in Esfahan, two in Bushehr. But the Shah was continuing, he wanted six or eight to follow that.

Q. What were some other projects?

A. Other projects were, as I said, the building of tanks, actual building of tanks in Iran, the purchase of equipment such as submarines. I was told at a point that they were planning to buy twenty submarines, ocean-going submarines.

Q. This was in the Fifth Plan?

A. This was after I was out, of course. I'm talking about 1975, '76 and none of these were in the document of the Plan. These were just being added as they went along.

Q.?????

A. I'm talking about the Fifth Plan.

Q. What were the projects in there that were there basically because the Shah wanted them, not because the planners wanted them?

A. Chah-Bahar base was certainly one of them. Chah-Bahar was certainly one, as I said, nuclear power stations were one, agro-business in the way that we were proceeding was one. We fought this. Six-lane highway connecting Tehran to Bushehr. Electrification, electrification of railways - - that he pressed so hard for -- was another one. The Tehran transit system, metro was another one. These projects...I beg your pardon?

Q. The Shahestan-e Pahlavi, the northern Tehran, was that in the plan?

A. The development of that area, much again.... I argued, I remember, for that area Abbasabad, which was named Shahestan-e. I was saying that, "Your Majesty, this is the last chance of Tehran to have an open park space and it should be developed into a park, this 600 hectares of land." And I went to the Queen and asked for her support. I said, "Madam, Your Majesty, we can make this a great park for Tehran." I went to the Prime Minister, I went to Asfia, and I went to everybody trying to convince them. And they were all sympathetic, but they had got the idea that here they should build a brand new city, modern city of fifty-, sixty-story buildings and that the land should be allocated for that purpose of housing for the army officers, etc. The project for making the area into a park never really even got off the ground, because of the interest that there was in that type of physical development.

There were many, many projects of this sort. For example, another project that I remember (which continued during the Fifth Plan also) was the national microwave system, which I'm not saying was unimportant but in terms of priorities -- and I'm not saying that we were so dead set against it at the beginning of it, the way it was proposed, we were dead set against it -- but on a

limited basis we would agree with it; and on the question of timing it, that is the question of annual allocation, we would have agreed with slow development of this throughout the country, but the Shah wanted it within two to three years. He wanted the whole country to be covered under a microwave system within two, three years -- something that should have normally taken ten, fifteen years, perhaps -- so from every village we could directly dial San Francisco.

Q. What was the point of this? How much was????

A. He principally argued for this in terms of his military requirements, at least as he told me. As I remember my earliest meetings with the Shah in this connection, in connection with the microwave systems throughout the country. And I told him, my report was this, "You cannot get this in the short time that you have already believe that you can get it or the contractors are telling you they will produce for you -- impossible. And the amount of money," that was at the time \$120 million, I said, "would reach, probably, about \$360-\$400 million dollars." As it were, it was more than that. And as it were, it took until '76, '77 to be completed -- longer, much longer than the Shah wanted it. This type of problem, there was a big hurry; big hurry to complete certain projects and that would have meant that obviously other projects would be delayed as a result.

If he had spread this over time, some of these projects would have had a better balance as between those consumer goods type of industries and these big white elephants that the Shah was deeply interested in as a symbol of the great civilization, as a symbol of modernization, as a symbol of Iran becoming the fifth industrial nation of the world, you know. These were some of the problems.

But that, certainly, in terms of the projects close to our hearts, there were a large number, which were in the Fifth Plan that the Shah would agree with, and we had no difficulty putting into the Fifth Plan.

Q. Can you think of projects that he didn't agree with initially and that you fought for and you convinced him to allow to be put in?

A. Well, as I said, I mentioned earlier, the two that I remember distinctly was on the allocation for both agro-business and agricultural corporations. The agricultural corporations, the taking of the land away from the owners, small owners of the land, in return for a piece of paper like stock certificates, as if they were shareholders in a corporation, and they would then at the end of the year distribute the profit from the sale of the production among them, just like a corporation paying dividends. Or sell the products and distribute the money among the owners.

These things, from our experience during the Fourth Plan, had turned out to be no more than another government enterprise and the small landowners as government workers. These people, these farmers who were supposed to farm on their own had become government employees. And even when they were not producing enough or selling enough, the government was subsidizing these agricultural corporations. So we were dead set against them and we fought the minister, who was Mr. Valian, on this issue. We were quite successful in controlling the expansion of this

activity. But still in the Fifth Plan, you find some allocations for them. It wasn't that we totally succeeded but we prevented the allocation from being much larger.

In many cases, you know, this is what would get mixed up, the lines were not all that clear. We would argue against larger allocations and prevent larger allocations. Many times the Shah would side with us. Unless it dealt with projects that were, you know, the absolutes in terms of his own domain, which is principally in the army and certain other things such as (as I said) nuclear power development and so on.

Then of course there were the pet projects of certain ministers who were close to the Shah and so forth, on which we went through the same process at a lower level -- fighting them, preventing them. And they had, of course, recourse to the Shah and the Shah very often didn't want to disappoint them, I guess, and would give them his support. But that type of support was not like for those other projects. We would there again succeed sometimes in eliminating some of those projects, which were very close to the heart of some ministers -- such as an opera house in Kurdistan, close to the heart of the minister of culture, Mr. Pahlbod, who happened to be also the brother-in-law of the Shah, and there was a particular difficulty. But we would oppose, we had no difficulty. The technocracy could oppose and would oppose.

Q. What others, aside from the Shah, had an input in the planning stage?

A. Well, there were some people who were not necessarily either related or specially connected with the Shah, who were powerful individuals who would press their point, such as Rohani. Rohani on the project of agro-business would really press his point and fight right through and, you know, he would use every means at the disposal of a minister to do it. Certain others were milder, of course, and they would not press as much or they didn't have that type of personality, like Vahidi, in connection with the electricity and so on.

You know, when Tehran had the blackouts and poor Vahidi was used as a scapegoat, I went to the ministry of justice where he was being tried by that special committee for trial of ministers. I said, "I've come here on my own." I went, I wasn't asked to go. I said, "I've come here to give you, to serve as a witness on the side of Vahidi." Because Vahidi did ask, did say when we were preparing the Plan, and on the preparation of annual budgets, did in fact say we would run into shortage of electricity by the time we did.

It was amazing. We knew he was right and we would run into shortage of electricity, but we didn't have the funds to allocate to him. He wanted, on the basis of the way the country was going, let's say, thirty percent annual increase in his budget for provision of generators and stand-by capacity. We gave him sixteen, fifteen percent increase. I went and witnessed.

Q. But this is precisely where a system of autocratic rule is supposed to be at its best.

A. And it wasn't. It wasn't, again, because the autocrat was so enamored by other projects and really did not have the patience and the time to go into such details, as I'm saying to you, to understand, to accept. And the position of the minister and the relationship of the minister to him

was not such that automatically he would embrace the minister's point and accept the minister's point, you see.

Q. I see.

A. These are the problems. The nature of the actors, also, was very important. How they influenced the Shah was very important. It wasn't that it all was one-sided flow; it was, you know, a sort of a give and take between them and the relationship of the individuals and the Shah. Even in the case of the army this was true. Even in the case of the army, some of the commanders, for example, the commander of the air force, would always receive much greater favors than the commander of the army. The Shah was not all that impressed by the army as he was with the air force, because he wanted a first-rate modern air force and he knew this was technologically important. But more than that, the commander of the air force was his brother-in-law again.

But in this case, the man was good and knew his business, by the way, just between us. He knew what he was doing, he would select the right people, and he was a very systematic type of individual and he was a very courageous type of individual. He would come and tell me, "Look, if we, you don't want to give me the airports, go tell him (meaning the Shah), go tell him not to buy the F-14s and 18s. But he has ordered the F-18's, seventy of them are coming. Where shall I fly them, from the top of my roof?"

Q. Did that mean that he agreed with buying all these F-18's?

A. No, no. He was systematic in this sense. No, no, not at all. He would say, "Now, look, once we have ordered the F-18's, along with the F-18's go all these airports, for example, where we have to fly them from or all these facilities that are required. You have got to give me the facilities or cancel the order." He said, "That you can do, but you go to the Shah and tell him to cancel the order." I would not fight that. Not that he didn't believe that he should have them, but he said, "Let's be logical, and let's be rational." He was quite rational.

Well, the commander of the army would come and beg and argue and say, "Now look, we have got to give a little bit of clothes, our barracks are not that good," you know, this type of argument that didn't impress the Shah, it was much easier to dismiss. So the relationship of individuals, even within the army, mattered. The relationship between the Shah and the individuals.

Q. How about the Queen and the other members of the royal family? Did they have important?????

A. Sure they did, sure they did, in terms of cultural development. And cultural development in a sense was at the end highly exaggerated. Culture meant, as I said, certain type of expenditures that, in the judgment of the bureaucrats and technocrats, had no priority whatsoever. The Queen, after all, was a queen and the Shah would sort of not interfere with the domain of the Queen; and the Queen pressed her point and very often she got her way. But we could appeal again to the Queen and it was much easier with the Queen than it was with the Shah -- appeal to the Queen and argue against projects, argue against providing as much funds. At the end our input was that,

again, we allocated less for these type of projects, which had no real priorities in terms of production of goods and services and improving the real standard of living of the peoples throughout the country. The Prime Minister...

Q. Did he have much of a role in this planning, formulation phase of planning?

A. Yes. When we felt that there was sort of a stonewall, when we were stonewalled, we would go to the Prime Minister and beg him to help. I did this many times, "Please help." And then he had the ear of the Shah, he would discuss certain things. He would call me and say, "Now look, all right. On this, I think the Shah will agree to allocate less," or "not do this project," or "delay this project for a couple of years." This type of input the Prime Minister had.

Q. But he himself...

A. But the Prime Minister played a very clever role, you know. I don't remember him having ever a pet project, never. He was very clever that way. He never associated himself with a pet project that I remember, directly. He may have had something in his heart, which meant he would just wait for somebody else to press it and he will just let him have the day. But directly, I never remembered the Prime Minister telling me, "Look, you've got to do this for me." Never.

I remember the projects that the Prime Minister would encourage me not to support. Not to support. But certainly no projects that he pressed for.

Q. Were there any reports of contractors, whether Iranian or foreign, who tried to push certain projects through the Plan.

A. Yes, yes. On the microwave, I mentioned it was Northrop, the famous case of Northrop. And they must have had a great deal of power, reached the Shah, Alam particularly, who also had an input in this whole business. Alam had his own pet projects, one of them being this microwave. The development of Chahbahar, but there of course they had the Shah on their side anyway.

Q. Was this Northrop again? Chah Bahar?

A. No, no. It was Kashfi as the Iranian contractor and I don't remember the American contractor, English-American contractor if I'm not mistaken.

Q. How would these people work? Would they come and have an appointment with you in your office to push their project...

A. Sure, sure.

Q. Or would they go to the minister or all these ways, or how would they do it?

A. Well, I don't remember that in my case, except for Northrop, that the foreign contractor would come and press me. One day, I remember in the case of Northrop, I simply got up and walked out. Walked out of the meeting and simply said to them that, "I have nothing to do with you from

now on." I wrote a letter to Mr. Alam saying the Plan Organization would not do this; and I transferred the whole project to the minister of Court and he chaired the meetings and he did it himself.

It also depended on the nature of the minister, whether or not he was a type who would receive these contractors. I was very wary of receiving these people. Oh, I was civil enough, to be sure, I would... Somebody would come in and may put the case to me very politely and say, "We're interested in this and that. Do we have a chance or not?" I'd say, "I do not know. You go see such-and-such who is in charge," or "I'll study this and let you know." But never like the microwave where thirty people came to my office and simply the reason I walked out was the man was telling me that His Majesty has decided this and you cannot change it. The man told me, this foreigner is telling me this and I walked out of the conference room. To think that a foreigner would be telling me that.

Q. How about the ambassadors. Were they involved in these kinds of discussions?

A. I guess, I don't again remember the American ambassador making a presentation to me. I don't remember the British ambassador making a presentation, strong representation to me about that project or this project, at least not during my term of office, that the ambassador directly coming to me and asking me for a project. But they did this through the Foreign Office; they did this through the Shah. They went through channels properly. And of course, even if they did this through the Foreign Office, that meant the Prime Minister also, because the Prime Minister would receive the feedback from the Foreign Office. I didn't receive it. The Shah may have given instructions about the project without indicating to me that the ambassador has come to him. But I have no doubt that, the way things were, that ambassadors would make representation through the Foreign Office or to the Shah or to the Prime Minister or minister of court, as they would consider a channel to be proper. Not directly, at least during my experience in the Plan Organization, no ambassador ever came to me and pressed me for anything?

Q. Now, if we go to the implementation stage, you discussed earlier, you mentioned earlier that the implementation of projects or, you put it this way, that the Plan was read by only a few people, maybe at most a hundred. And the variance that existed between what was implemented and what was down on paper as the Plan.

A. Now as we prepared the annual budget, at the time of preparation of the annual budget, a whole constellation of new forces came to bear on the new budget. It was a very weak argument to say that the Plan doesn't allow for it, nobody would listen to this. The best we could do, and that's before OPEC, was to use the ultimate control which was the amount of funds available in the budget. There we had a form of , overall control. I mean we'd say, "Look, there's no money." That overall control allowed a certain discipline that enabled us to cut requests to fit, more or less, into the overall Plan allocations.

However, the composition of allocations within the National Budget, in spite of the fact that the budget was in the hand of the planners, and exerted as much pressure as they could, the total of the five annual budgets would show great deviation from the intent of the Plan and from the words of the Plan -- in terms of the goals that we set up, in terms of the strategies that we set up.

So, through the instrument of the budget -- which was a function that involved the whole cabinet every year, and the Shah every year, and the parliament every year -- they had found a way to get around the goals and the strategies of the Plan. Not always by intent, very often by miscalculation, misprojection, overages that were created, you know, these projects that we would have estimated to be of such amount would often end up having a hundred percent, a hundred-fifty percent overages, you know.

Such things as demurrage payments, suddenly two billions dollars. Where would it come from? It would come from the Plan allocations.

Q. The payments?

A. Demurrage for the delay of ships that were waiting in line in the Persian Gulf to come to port was once estimated to cost about two billion dollars worth in '75 and '76. Now, that sort of money had to come from somewhere, obviously.

So it wasn't all that they used the annual budget, as a means to break the Plan because they disagreed with the Plan. No. Also, because there were miscalculations, misprojections. New projects, of course, that had come to their mind, sometimes-even projects that we would have now attached more priority to after the Plan document had been approved -- even the planners themselves would have attached more priority to. So, it was a complex of things in that way that came to change, to separate the implementation from the Plan Document itself. But this is true in other countries that plan also.

You know, the Plan Document is not sort of, is not supposed to be unchangeable. The Plan is to be reviewed every year with regard to things that were unpredictable at the time the Plan was written. With regard to new information that is at hand, with regard to new needs that become apparent, you know. Or new revenues that may be coming forth or revenues that were not coming forth, both ways -- falling revenues or increasing revenues.

So Plans do have to be reviewed, I'm not saying that. But very often we found that really there was a callous disregard for the Plan. Nobody really worried what was in the Plan, let's put it that way, except the planners, except the people in the Plan Organization.

HARVARD UNIVERSITY
CENTER FOR MIDDLE EASTERN STUDIES
IRANIAN ORAL HISTORY PROJECT

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NARRATOR: Khodadad Farmanfarmaian

DATE: January 19, 1983

PLACE: Cambridge, Massachusetts

INTERVIEWER: Habib Ladjevardi

TAPE NO. 16r (Transcript edited and revised by narrator, July 2004)

RESTRICTION: None

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Q. Maybe this is a good point to now ask you about your personal knowledge about the general question of corruption in the Iranian government. What was the extent of it as far as you were able to see? How did it actually work and were you yourself ever personally approached, offered a bribe of sorts to make certain decisions?

A. Before I talk about my personal experience, let me simply say this business of corruption is a very complicated thing. First of all, there are all kinds of corruption. The worst, and probably the most prevalent, is the corruption of the mind that is -- the man goes against what he knows to be right. This type of corruption was highly prevalent. Now, the man goes against what he knows to be right can result from fear that he will be removed from office, for example -- his love for the job that he's got, the position he's got. It can result from payment of money -- he can be bought to go against what he considers to be right. Conversely, a person may oppose what he knows to be right in order to obtain some form of benefit by changing his position. This is also a prevalent form of corruption.

Another form is that he may have taken a position without having first the knowledge that what he was doing was wrong and later on when he found out, he wouldn't want publicly to change his position and lower the regard of the society for him, you know. This is a pride of some sort. He wouldn't want to come out and say, "I was mistaken then, now it should be changed." Very few people have that type of courage.

The most talked-about type of corruption is, of course, where money is involved. Money, or promise of better position, or promise of more power is involved.

As far as the ministers of the cabinet go, the type of corruption that existed -- ministers and the top echelon, that means above ministers even, the top generals and so on -- the type of corruption that existed was first fear of their positions. Fear if that they didn't do certain things that they didn't believe in, they will lose their position, they will be kicked out. The first, most important form was that.

Two, the promise that they will be more powerful and last longer and endure, if they did the wrong things. Very few cases over the last twenty-five, -six years that I have direct experience with any minister being paid directly to do certain things that he did not consider right. This has been rare at the ministerial level. Very few cases of this type that I even heard about in recent

years. There may have been more cases than I know, but very few cases that over all these years came to my attention or I found out about or heard about from reliable sources.

Certainly, during Hoveida's period the members of the cabinet I would have considered to be clean in connection with this last type of corruption, namely, direct monetary bribe. In that sense they were clean people. But in terms...

Q. By that, do you mean they were really living on their salaries and on their bonuses given to them?

A. Personal means. Salaries, bonuses, that's right. As well as on whatever they owned themselves; and some of them were people of some means in terms of what their father had or their family had or what they had inherited, for example, from their parents.

Some of them lived very lowly type of life. Some of the ministers I knew had a very small house. They didn't have very much and they were ministers at the time; and you could see their circumstances. They really were living on their salaries and their bonuses or whatever came to them as a matter of course.

Q. Weren't there a lot of hidden bonuses that they actually received from?

A. From the Prime Minister, yes. The Prime Minister had a special fund, which was used for this purpose. The Shah wasn't all that directly always involved in giving this type of bonus. The Shah would, for example, give a piece of land from his own personal properties to a group of ministers as a grant, as a bonus, as a gift. This could happen, but the Shah was not regularly involved in these payments, it was the job of the prime minister. A prime minister had secret funds for these purposes, gave bonuses, varied these bonuses according to the need of the individual as he would know. For example, in many cases where the individual suddenly was taken sick and had to go to Europe to be operated on, the prime minister's office paid for the whole thing. Where the child of the individual -- when the minister or his deputy needed urgent medical attention and the prime minister learned about it, he'd pay for the whole thing. There was irregular assistance as well as sort of regular monthly bonuses that simply were salary supplements that ministers received.

Q. Was that standard for everyone?

A. Yes, yes.

Q. How much was it?

A. I don't remember. The salaries of ministers (well they changed over time), if I'm not mistaken, the salary was thirteen thousand toman -- let's say I'm now talking about 70-73 -- and the prime minister gave them another seven, ending up total of twenty thousand toman. On the basis of the rate of exchange, say what, three thousand dollars, less than three thousand dollars per month.

And sometimes, there'd be a bonus at Norouz, which differed between various ministers according to their seniority, according to their position and so on. In some cases he would give

fifty thousand toman, in some cases thirty thousand toman, in some cases seventy, eighty thousand toman and probably some of the highest, most senior ministers would receive a hundred thousand toman. Which again divided over a period of a year would amount to a maximum of another ten thousand toman per month. So the total salary would have become around four thousand dollars a month. But this was the maximum. Maximum. One could live in Iran a fairly decent life on the basis of that type of salary.

Q. There were certain services free, weren't there, like a servant or a cook, that sort of thing or not?

A. No. The government had no.... Well, yes, the driver of the minister would drive for the wife of the minister as well, that's true. But the servants who served, let's say, in the ministry to bring you tea...

Q. No, I mean the house.

A. Did not come to the house of the minister, no. If they brought the servants, for example they would give a party one night, they usually paid him for his services from their own funds. Maybe some ministers did misuse in this way, shall we say, their positions. That is, they would send their own man in the office to go and help with the affairs and the chores of the household. But generally speaking, we would see, for example, at parties of ministers, one or two people from the office had come to help; but usually at the end of the night they would pay them something or, you know, he would make up for it as if he had hired somebody else from outside.

Q. Didn't ministers have secret funds that they could?

A. Ministers had secret funds they could use as they wished. Now there again, because they were secret, at least the only thing that I can tell you is about my own use of those funds.

Q. How large was this? Are we talking about millions or thousands or...?

A. No, no, no. In the case of the Plan Organization, if I'm not mistaken, it was about a million and a half tomans.

Q. Per year?

A. Which was the first year, I pushed it and increased it to two million toman.

Q. Per year?

A. Per year. Which was a very small percentage of the total budget, of course. The Ministry of Finance, by law, had the right to set aside, if I'm not mistaken, one or one and a half percent of total revenues collected to be used as sort of encouragement to tax collectors to collect more. And they applied that regulation to the oil revenues as well.

So the Ministry of Finance had a secret fund, which reached into hundreds of millions, especially after OPEC. Now that was used for very specific purposes, of which I have very little knowledge, but was at the disposal of the minister. Whereas the ministers, the ministers themselves, outside the Ministry of Finance -- after all, all the revenues were in the hands of the Ministry of Finance -- the ministers themselves, the maximum they would receive was two, two and a half million toman. And secret funds were approved by the parliament.

Q. Could a minister use this for his personal expenses?

A. Now, in the sense that there was no accounting, certainly the minister could have used it. But there's no doubt that one or two people would have known about it. But there was no accounting; it was left purely to the judgment of the minister to do what he wishes with it. In other words, he could have paid his cousin if he wanted to. Very simple.

Now I had heard rumors, as I said it is impossible to know, that certain ministers used these funds for personal purposes. Meaning when we went, let's say, on a mission, the government had standards and regulations regarding how much a minister would receive per diem and for his cost of transport, hotels and so on. Well, certainly, some of the things I had seen would indicate that the ministers were spending in excess of that sort of allowance. Some presumably did this from personal funds while they were on missions, others must have used the secret funds.

In my case, the principal use of the secret fund was to supplement the salary of the professional corps in the Plan Organization and the Central Bank whose normal salary scale was below their market value. Many other ministers as salary supplements over and above the regular salaries also did that. I never personally ever dealt with the secret funds. I left it to my administrative assistant who had my written authority detailing various categories of expenditures in addition to salary supplements, which were all, receipted. I'll give you some examples of the uses of the secret funds.

A man who had died (a man in the Plan Organization), I remember he had six children; he had borrowed funds to rebuild his house from the bank of the Plan Organization to be repaid by monthly installments from his salary. We sat down and calculated this, his retirement fund was such that it wouldn't even take care of the children and the daily requirement of these children and still pay off the mortgage on the house. It was a very dire case, I remember this distinctly. So, I decided to pay off the mortgage of the bank from the secret funds. But the decision didn't come from me, the knowledge came from my assistant for administration, Dr. Ali Daftarich who came and made the proposal. I approved the proposal and he went ahead and paid off.

We would find a first-class man, bring him from private business, force him to sell his share in the business to become, let's say, the assistant head of the Plan, and this man could not conceivably live with seven thousand toman a month as his maximum possible salary and would not have come to the Plan Organization. So we had to supplement his salary in one way or another, let's say, to (I don't know) a total of twelve thousand toman per month. To give him some additional funds.

The principal amount of my secret funds went for this purpose and I used it for that purpose. Never for travel expenses, never for personal purpose.

Q. Going back to actual corruption again, where were the examples of this?

A. I have no doubt. I'll tell you. The important examples of it were at the lower administrative levels, in the third level, the fourth level, from the top in administration. The illicit payments would go to the tax inspector, to the members of the committee who made decisions on taxation, for example, to the technician who was going to decide to support or not to support a particular proposal in terms of the technology proposed. Or the man who made an analysis of two or three contracts, to compare them, to send them up and say which one is better than the others. The man who had information regarding other proposals, who would sell that information to competitors, for example. This type of corruption existed fairly widely, in my judgment.

By the way, before I go further, there was also another type of corruption that the men who were official civil servants would be working with private firms, after office hours. Large numbers of government employees did this with many of the contractors or consultants. They were not, as such, receiving bribes but they were given jobs and salaries; however, they may not have been required to keep strict office attendance as in the case of other employees, which is in a way another form of bribe. And this was prevalent to a great extent, also. In many cases, some honest and needy employees did actually work during their free hours for the private-sector firms to supplement their official salary.

Q. It seems if corruption was only at this level, it would have been fairly easy to contain it, with the strong SAVAK that we had, that could have...

A. No, no, the major... I'll tell you. The major source of corruption was elsewhere -- not directly among members of the cabinet or, let's say, undersecretaries. But among those who were in the periphery of the cabinet, the government and the Court. These people were not members of the government, but had influence and connection through one channel or another with the Shah, the Queen, the Prime Minister, the ministers, the commander-in-chief of the air force, the commander-in-chief of the army, the head of the oil company, etc. These were the real corrupt and corrupting elements within our society, of which there were many. These were the influence peddlers, project "pushers," these were the "dealers" or "brokers" or representatives under contract who collected their percentages on projects -- very often much larger than they would report for tax purposes or for general public information. They were required to do so by law -- the contractors were required to report any payment of fees and percentages unrelated to cost of the services. But they would not report that. And then they would distribute this among their friends and contacts and keep their sources of power one way or another. This aspect is not as publicized, though far more important than the cases of individual officials who may have received bribes to push projects through various official channels.

These non-officials were the ones who very often bought the lower echelons in the government to give them the necessary information, to push for their project from the bottom so it will go up in the right way automatically to be approved when it reached the top. And at the same time,

from the top they would make sure that there will be no opposition and there will be approval of their favorite projects.

In the later years, especially after OPEC, the extent of corruption in terms of money, in my judgment, reached the level of hundreds of millions of dollars. Before the oil revenue flood from OPEC, it probably was in the neighborhood of tens of million dollars. The big money was in this particular circle of corrupt persons.

Q. What was the motivation of these important individuals in supporting this system, if they weren't getting kickbacks? I mean one has to assume that these people were passing it on to the officials you mentioned. Otherwise, why would they need these people? I mean what function did they perform for them?

A. I cannot say that there were no kickbacks. I suspect there was. But I cannot prove or document it. Another important motivation of the top officials who handed out favors to these people was power. Weakness and fear of losing their respective official position was another motivation. The powerful non-officials could very easily, if they had to, remove a director, an undersecretary and a minister from his post.

Q. No, I meant why did the patrons of these corrupt individuals lend support to these people?

A. Let's say the Shah and the people that I mentioned. I'm not suggesting that there were no kickbacks. I'm only saying that if there were such kickbacks, it was, for obvious reasons, in a way that could not be documented and proved so that I can make a sustainable case against them. I cannot, I never saw, I couldn't prove whether or not the Shah received money from some of these dealers who may have, on one deal alone, made a hundred million dollars, for example, would they turn about and deposit seventy-five million dollars to a special account of the Shah. If they did, first of all, don't forget most of these payments were made abroad; they didn't even directly enter the flow of banking or monetary transactions in Iran, in the country as such. And as you know, the Swiss banking authorities do not divulge such information.

Let's take the case of the immediate members of the Shah's family, for example, Princess Ashraf, the sister of the Shah. Whether or not she would have received a kickback as a result of her support of a project, this project, and that project, this is something which as I said I cannot prove. The general consensus, as you know fully well, was that she dispensed many favors to her close friends that she was instrumental in the final granting of important contracts to firms and individuals of her choosing. She was well known for her patronage to her friends. Now did she receive kickbacks, how much and how? One can only speculate but not prove. Sometimes, the kickbacks took the form of presents that they made in the most formal fashion of very expensive things, that was understood to be possible within the latitude our society allowed -- presents instead of outright cash or money.

But I don't have evidence. After all, I was in the Central Bank of Iran; I would have seen the major banking transactions. You know, the revolutionaries were such fools to think that these kickbacks were transferred by Central Bank of Iran and so on. Impossible, you know. Everything that was transferable from an account was in payment for services or goods purchased according

to the terms of a contract for which the bank either opened a letter of credit or paid an account abroad through formal transfer and debited the account of the government. It was the contractor who received that money and paid off the dealer or his contact abroad, probably in special numbered accounts in Switzerland. That may have taken place and probably did take place, but I cannot prove it, I do not know about any direct case of bribery, which was brought to my attention with supporting documents.

You asked me a question about myself. Let me say one case distinctly I remember. I had just come to the Plan Organization. One of the biggest problems was we insisted on international tender and the ministers all wanted quit-tender. Again, the ministers just didn't want to go through all this problem of putting the projects to national or to international tender and select the lowest bidder, because it was a cumbersome procedure and would take time. They wanted quit tender because it was quicker and the ministers had developed an argument to justify their preference by saying, "Look, we will carry out the project on the basis of previous cost of the same project," or "we will get prices anyway and give you comparisons." We didn't believe in this, we believed in hard national and international tender to find the lowest bidder. We also believed that quit-tender was a great source of corruption.

This pressure mounted tremendously with the momentum for development and when I came to Plan Organization, the situation was such that there was a revolt among the ministers regarding this. So my final decision was, I said, "Ministers are responsible to the parliament, to the Shah. If a minister writes and accepts full responsibility for each case of quit-tender, provided that in a formal letter he states that he deems his action in giving quit-claim is in the interest of the country and that the total cost of the project will be held to a level acceptable to the Plan Organization, the tendering procedure will be waived and the minister can on his own decide on quit-tender." That is, we would have given our right of quit-tender to the minister and then the minister would have proceeded under his own responsibility and signature to do it.

Q. I think you mentioned this in a previous tape.

A. I did? Then, one person came to me and asked me, she said -- she was representing this big contractor -- she said, "I'll pay you five hundred thousand toman right now."

Q. Just like that?

A. "And ten million toman by Esfand [February-March] (this is end of summer) if you only will not oppose a request for quit-tender which will come to the Plan Organization." I laughed at her.

Q. Where was this request made, in your office or at a party?

A. No, no, at my home. We knew her. She happened to just walk in. She was a friend in that sense; she was in fact one of our neighbors. Very well known person, I don't want to mention the name. She's alive and I would protect her. Her husband was very famous, who died recently, and I would protect her.

Anyway, I laughed at her and said, "Look, there's a process involved here. It is the minister who has the right to request waiver for quit-claim and once he accepts full responsibility in writing, he can proceed with quit-tender." She said, "Oh, the minister has already agreed and has written." I said then, "Look, it doesn't even come before me and it will go to the minister, and the minister will make that decision. Why would you want to pay me?" I laughed her off, of course, and I sent her off with the money.

Some few months later, I learned that the minister had indeed sent in a request for quit-tender and the minister in this particular case was personally a very honest and clean man. He had that reputation. At least I never doubted him, doubted his integrity, his circumstances, his conditions. The conditions under which he lived were very limited indeed. But the project went through.

Q. What conclusion do we draw from this? You were offered a price to do this and he hadn't been?

A. No, I think that his men under him, without a doubt, had received a considerable amount to put to the minister the argument for quit-tender, to put to the minister the project as such. That's the whole point.

Q. Does that mean that he never knew about this?

A. Let me tell you. My own experience in the Plan Organization -- two things I'll cite for you. One, during my tenure of office, I sent ten people to the administrative supreme court, to the Divan-e Kayfar, that is where the high government officers, or the government officers would be tried for misdeeds -- whatever kind of misdeeds. I had an inspector who would examine cases, as cases would come to me through properly signed letters. I investigated every one of them, for your information, sent it to this man, I trusted this man, and this man was fair, although he wasn't very popular in the Plan Organization. He investigated, brought the cases to me and gave me the evidence in great details before I would sign a complaint to the Divan-e Kayfar. I sent ten people and nobody even heard about them, this sort of anti-corruption system within the Plan Organization itself worked to some extent. There were several cases when accusation came, it couldn't be proved. What I did, I changed the position of the man from where he was to a job, which was unimportant, and without the type of responsibility that could lead to financial gain.

When I had resigned my post right after I'd come home, of course, some of the people who had worked with the Plan Organization came to visit me. They were consulting engineers and contractors in the main. And these were limited in number to three or four people who I knew personally well. I had no special relationship with general contractors and so on; but I knew some of these, especially the consulting engineers because I knew them from school times, I knew them over the years. They were friends and so on. They came to visit me and pay their respects.

I said, "I'm now finished, I can't do anything to you and I promise you I won't -- without giving me names, tell me, did any one of you people pay any bribes during my time in the Plan Organization? All of them said they did.

Q. They did?

A. I said, "Would you tell me at what levels?" They all invariably referred to the levels of individuals below, below the undersecretaries. All below the undersecretary levels. So, if I go by that as a sample, I have no doubt that this type of thing was taking place throughout the whole of the government administration.

Q. We've sort of reached the last half hour of this tape and at various times we have talked about doing this, and that is to ask you to draw a sketch of the Shah during your last years in office and perhaps even his last months on the throne, where you had a chance to be with him – a number of occasions you expressed yourself. You know, those points that really haven't come out in any other, or at least haven't been published up to this point – those aspects of him which you think are important to be recorded for history.

A. Remember, I must have mentioned this, that I knew the Shah from the beginning in 1958 until a week before his departure in 1978. The most important thing that I want to say first is that the man of '58 was not the same man in '78. This man had changed enormously over these twenty years.

At the beginning, he was far more democratic. At the beginning, you could reach him much easier, he was much more interested in learning and understanding. He really would allow much greater debate on issues than the man at the end. He showed much greater compassion as a person for problems of the masses. He showed much greater compassion for the type of problems that I referred to earlier, which dealt with the day-to-day lives of individuals. And you'd be surprised at the extent of freedom that we enjoyed in opposing, even to the point of opposing his thoughts and proposals in '58.

At the end, it was impossible to oppose him. At the end, the man would not have patience to listen and to take counsel in any great detail. I'm sure he would have had, in the privacy of his chambers, listened to the prime minister but I'm not certain that even in listening to the prime minister, he would have been that deeply affected, as he would have been in 1958, at the earlier period.

The Shah was a complex man; he wasn't a very simple person. He was a complex man in the sense that his whole life experience was complex. First, the fact that he grew up under the shadow of that strong, tough man and a man who had achieved and created the so-called modern Iran, his father. That had influenced his character, to be sure. He always had a thirst to show that he was better than his father.

Q. Really.

A. It was no secret that at the end we were not allowed to praise his father. The praises for Reza Shah at the end of the reign of Mohammad Reza Shah were all extremely measured. Even in the celebrations of occasions relating to Reza Shah, we didn't have as much fanfare as we did on occasions that related to him. And so, that is one factor.

Two, the fact you must remember his democratic background and his education in Europe, which had certainly formed a part of his character.

Three, the fact that he was torn between religious nonsense and religiosity in some proper sense and faith in religion.

I want to say that in some very general sense, not in the sense of liturgy or ceremonies, he had some basic beliefs in god, let's say, faith in God. He was not an atheist, but he didn't much care about religious ceremonies. I mean, he wasn't a man who prayed every morning or every day five times, or fasted. Certainly he drank alcoholic beverages in moderate amounts. He was not a drinker, but he would drink a glass of whiskey once in a while. But in some sense, he had some belief in religion, some faith. He believed in destiny – he told me himself. He said, "Everyone has a taghdier, everyone has a destiny." In that sense he was religious.

He was not a well-trained individual and he was not an intellectual, in my judgment. His analytical apparatus was extremely limited. But during these twenty years he had also learned a great deal. Not twenty years, during the thirty-seven years of his reign. He had gone to school constantly, that is, he was in touch with the best minds of Persia, and he was in touch with the best minds of the world. He was in touch with all heads of state, beginning with Stalin and Roosevelt right down to Carter and, I don't know, Mrs. Thatcher and [Valéry] Giscard d'Estaing. And every one of them he had visited or visited him -- kings, prime ministers, heads of states, heads of universities, heads of the huge multinationals, and great experts even at low levels. Constantly there was a flow of such people to his office and from these conversations, he was bound to learn. It was a long tenure at a great world university that had fortified him with a great deal of information and knowledge in statecraft and international diplomacy.

Q. Memory?

A. His memory was extremely good.

Q. Was it as remarkable as they say?

A. His memory was a very good memory, although he was relying too much on it at the end. I mean it was impossible for anyone to have that much memory and so he would just throw out statements and there was a lot of misinformation.

Q. Would he read reports?

A. As far as his reading goes, in many areas he read. He often told me ... I once took a book to him, it was a serious book – I've forgotten now what it was. I took a book to him, just to give him as a gift. He said to me, "We don't read novels and this type of thing." Once we had a discussion about something I had read and I had told him. He said, "We don't read this type of thing, we have got so much to read and we have got also to read about the affairs of other states. At best we can read a history book once in awhile."

I don't think he knew Persian history very well. Now I make that judgment, those days I didn't know. Now I see it. Because if he knew Persian history very well, he would not have done certain things. He didn't know enough about Persian history.

Q. But how about written reports that the various ministers would give him?

A. He would read, I had seen reports that he had marked very carefully in the case of the Plan Organization with instructions, certainly in the case of the oil company, certainly in the case of the army. All the reports, you know, he would read and give his direct instructions or reject a point and you would see his line and marks. We were shown reports by the oil company - I mean, when we debated something with the head of the Oil Company or head of the air force, he would put the report in front of me, say, "Now, look. I've said this, and this, and this. He has rejected this and this and this."

As we went along, megalomania set in and all of us around him helped the advance of this dreaded disease. The Prime Minister helped it, the ministers helped it, the underlings helped it, people around him helped it, and his wife helped it. Everybody wanted to make him happy, so they said the things that he liked to hear regardless of the veracity of their statement. Even the intelligence service, in my judgment, was not a great intelligence service, as he himself would tell me this at the end of his reign.

By the way, let me finish this. He was extremely ambitious. Not only for himself, but also for Persia. I have no doubt that he was extremely nationalistic. He feared America; he feared Russia and their designs upon Iran. I have no doubt about it. In this sense, I would certainly consider him a patriot, without a doubt, without a doubt. But there it was a paranoiac man, he was schizophrenic. On one side brought up as a democrat; on the other side he wanted to exercise power and the more he tasted this power, the more he wanted to exercise it to the point of absolute power while knowing or sensing perhaps that he was wrong. While knowing that he shouldn't be behaving the way he did. While knowing that decisions should be more democratic than in fact he allowed.

But you know, he had begun to develop disdain for his generals, for his ministers over the years. He had had so many disappointments from people that proceeded to behave the way they did. At the end you see a sick man, both physically and mentally. I didn't know that he had cancer when I was talking to him in the last three months before his departure.

Q. What was the occasion for your seeing him?

A. They called me.

Q. Yes.

A. They called me from the Court, saying that he's very lonely, come and talk to him.

Q. Really?

A. It's really that simple. That simple. I was nobody at that time, I was nobody. I was still chairman of the private bank, but I wasn't even going to the bank. I was just sitting at home.

Q. Do you think he had asked for you specifically or someone had decided that various people should come and see him?

A. Both, I think. On one occasion, certainly, he had asked for me. Another two occasions, I think it was because the chamberlain had felt they had to fill in, fill in his schedule so he won't feel that nobody wants to see him anymore, you see. And it was very interesting, this thing, where he had never time because his schedule was so full now to reach the point where the chamberlain had to continue to fill in his schedule.

And I saw a sick man. I saw a man totally disappointed, disoriented, and totally indecisive. I talked to him, asked him about what has happened to the power of the state. What has happened to the intelligence services, because he often bragged about the various sources of intelligence he had, such as the SAVAK. He suddenly turned and in a shrill voice that I had never known before, screamed, "They never knew anything!" I then asked about the army intelligence, the G-2. In the same voice and manner he said, "It never even existed."

He would pace the room with unusual speed and suddenly kick hard against the wall, with his leg. He would walk fast like a driven man, a man who was like a caged lion who knew it was the end, who knew nothing could be done anymore. He had lost control altogether. It was a very sad, sad situation. From the man who talked about Iran becoming the fifth military power and the industrial power in the world. From a man who talked about how we will achieve "the great civilization" in our own lifetimes and he was referring to his own lifetime, knowing perhaps even about leukemia, to a man who now knew he had lost everything, had no control over the affairs of the state and was at the end. At a miserable end. This is what I saw in the Shah.

He was an autocrat, but I want for history to say that Iranians make autocrats, even out of the most democratic individuals. There are examples. Khomeini is another example, Mossadegh was another example. Both by our underdeveloped hero-worshipping behavior and by our naïve desire for power. Also the system creates, the regime creates autocrats. That is why I think no one individual or even a small group, regardless of how honest and pure they may be, can or should be allowed to run the state. Because in the long run, there will be no political stability and smooth transfer of power from one government to another. I think it should be a process, a participatory process to operate the state rather than an individual or few individuals.

May I shift to Hoveida and simply say ...

Q. Yes, I was just going to ask you about that.

A. A few words about Hoveida. I knew Hoveida from the very beginning to the very end. I was close, very close to him. When he started, he was an uncertain main.

Q. Hoveida as Prime Minister?

A. As Prime Minister, you know, because Mansour was shot. He came into that office presumably as a temporary man until the Shah could find an alternative, but you know he remained for thirteen years, thirteen and a half years in office as Prime Minister – probably the longest period of any man in the history of Iran, as Prime Minister.

And Hoveida was, without a doubt, an intellectual in the sense that his mental capabilities were very strong. He had, in my judgment, one of the highest I.Q.s that I knew among all the cabinet members. I mean there were men like Amouzegar who were famed for their I.Q. or memories, and so on. I think Hoveida was a head above all of them, in terms of his quickness, in terms of his intelligence, in terms of his ability to read. He would read far greater amounts than anybody I knew, including the Shah. He was capable of reading and he would read a wide variety of things, not only government reports (and sometimes, of course, he would read government reports very superficially and throw it away with a short comment, because he was disinterested), but he would read great books. He kept up with the world literature; he kept up with some Iranian literature. He knew many languages. He didn't have formal training to the level that he would have had a Ph.D., for example like Amouzegar, but he had full university training.

And he had spent a great number of years abroad, so he knew Europe certainly, extremely well. Not superficially, but deeply he knew Europe. He knew literary movements in Europe; he knew political movements in Europe. His position as prime minister had allowed him to augment all this information regarding the systems and the current thought in Europe and later on in Persia, to be sure.

He was a great diplomat; he was a great politician.

Q. Meaning what?

A. Meaning that he could handle people, cope well with situations and settle arguments skillfully. He was a type of man that even if he opposed you or wanted to cut your head off, you would never know that he did it. He would do it so gently, so ever gently and so cleverly that you would never, never know it.

It was said that no one ever walked out of his office unhappy.

Q. That's right. You always thought that he agreed with you, but at the end you would see that things just didn't happen, because he didn't want it to happen or because he really didn't have the power to make it happen – that was also true.

A. The Shah liked him because of his sense of humor, because of his knowledge and ability, because he was so quick in anticipating the Shah and the Shah's thoughts. Because he behaved very consistently and every time we had a fight among ourselves, he said, "Look, who am I? Why don't you go up to the Shah and settle the fight?" When two ministers argued with each other, you know, he would just say, "Go upstairs." He had learned this mechanism and used it for becoming popular with the Shah. He'd really learned, he had the Shah in his hand. He had learned how to get the ear of the Shah very easily. That is what gave him power for thirteen and a half years. I've never heard the Shah talk about any Prime Minister the way he talked about

Hoveida, turning and saying that, "Look, you have such a great opportunity with this great Prime Minister. Why don't you just move and do things?"

Q. The Shah had said this?

A. The Shah. I heard him in those very words, saying this about Hoveida.

Well at the end, the very forces that he generated and he encouraged caught on. The fact that he was the most responsible for feeding the megalomania of the Shah. The fact that he kept on saying, "I'll be a Prime Minister forever." The fact that he wanted to remain Prime Minister for so long, is the best proof that he would never resign, that he would not use the ultimate weapon that he had in order to keep the Shah from thinking that everything was dandy and that the Shah could do anything he pleased. This to me was the main mistake of Hoveida, which was responsible for the Shah's callous neglect or underestimation of the significance of the forces and circumstances that brought his downfall.

I think Hoveida was a great cynic. He really didn't have much belief. His hero was Talleyrand, who was certainly a version of Machiavelli. He was a Machiavellian type, as was his mentor, Talleyrand. He told me, in so many words, that Talleyrand was his hero, that he had read a great deal about Talleyrand; and that he would, for example, always do as Talleyrand advised with regard to government reports, "I get a report, I put it in one drawer and after awhile, I simply pull it from this drawer and put it in the other drawer. And you would be surprised how many problems are solved in this way."

These are his words to me. He wasn't, in this sense, a man who believed in a set of principles, hard principles in terms of the destiny of a nation. He had his principles in terms of keeping the Shah and doing what the Shah wanted. He didn't believe in any depth in a plan and in the planning process. He didn't believe in his own bureaucracy – he was highly cynical of his own bureaucracy, of his own systems, of his methods, of his technocracy about which he talked a great deal all the time. He really, truly didn't believe in these. He knew these to be ephemeral.

He only thought of power as ultimate, as lasting. And I think he would extend that philosophy to the rest of the world also. Hoveida thought about the world in those terms, in my judgment. It wasn't only Iran. If he thought about Pakistan, he thought that way. If he thought about Bangladesh, he would think that way. If he thought about Thailand, he would think that way.

So, there you have this man with a great intellect, great intelligence' but with no hard principle and a sense of deep responsibility to the masses – I never saw that. If he did talk about this, he would pooh-pooh it; he would make a joke about it, an anecdote. Not in the way that we would get clues as to his likes and dislikes, but he just kidded about it, you know, and went on, still leaving you the impression that he might believe in what you have said. He loved the game just for the sake of the game. An end purpose was not important.

He was, as I said, extremely clever with his tongue, with his sense of humor, with his thoughts. And his main purpose was to last in position of power. Hoveida was not corrupt in the sense that I doubt it if he ever, ever received one penny in terms of bribes; but he was definitely corrupt in

the sense that he did many wrong things while knowing absolutely that they were wrong. In that sense Hoveida was corrupt, but not in the sense that he would ever receive a bribe from anybody. Yes, a man, a friend would go out to Europe like me, would bring him back a pipe – he loved pipes. And when Hoveida died, there was nothing except his pipe collection and his collection of canes. Hoveida had nothing. The home he lived in, after he stopped being Prime Minister, was the home of his mother; which was a very small home in Shemiran which he and his brother had bought for his mother twenty-five years earlier, long before he ever became Prime Minister or Minister of Finance.

So he lived purely on the salary and the allowances of a Prime Minister, which included in the later years an official residence. Before, you know, the Prime Minister in Iran didn't have an official residence. At the end, the Prime Minister had a house and he lived in it.

He was a very generous man also, by nature. Money to him didn't mean a thing. In other words, he would give bonuses very easily, he could be affected by the problems of individuals and he would send flowers. He had such a great system of intelligence. Even the young, new bureaucrat, technocrat who had become sick – suddenly there's a phone call from Hoveida, or suddenly there is a note from Hoveida, or a box of chocolate from Hoveida, or a flower from Hoveida. In terms of public relations he was great. There is no doubt about it; he was a great public relations man. Did you have another question?

Q. Well, in the two minutes that are left now, I want to ask you, what is your greatest regret about your career?

A. My greatest regret at this time, and this is with the help of hindsight, is that I didn't learn enough about the people of my own country. I didn't learn enough about the history of Iran. I didn't learn enough about the culture of Iranians. I relied too much on what we learned abroad, really relied too much on the technology we had learned. I regret that they didn't give us the opportunity to learn as we were brought as technocrats, because of the tools that we had, and we were supposed to use only those tools.

But to grow up to be statesmen, we needed to be given training in the history of the country, in the politics of the country, in the peculiarities of our nation and the culture of our nation. I'm afraid that I missed that and I still miss it today.

THE END